

MAINE STATE LEGISLATURE

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**STATE OF MAINE
122nd LEGISLATURE
SECOND REGULAR SESSION**

**Second Annual Report of the
Citizen Trade Policy Commission**

November 2006

Voting Members:

Sen. Margaret Rotundo, Co-Chair

Rep. John Patrick, Co-Chair

Sen. Bruce Bryant

Sen. Kevin Raye

Rep. Roderick Carr

Rep. Deborah Hutton

Mr. Bjorn Claeson

Mr. Peter Connell

Ms. Carla Dickstein

Mr. Mark Haggerty

Ms. Cynthia Phinney

Mr. Matt Schlobohm

Mr. Paul Volckhausen

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EXECUTIVE SUMMARY

The Citizen Trade Policy Commission (Commission) was established during the Second Special Session of the 121st Legislature by Public Law 2003, chapter 699, to provide an ongoing state-level mechanism to assess the impact of international trade policies and agreements on Maine's state and local laws, business environment and working conditions. Public Law 2003, chapter 699 requires the Commission to submit an annual report on its activities and conduct an annual assessment of the impacts of international trade agreements on Maine's state and local laws and business environment. This document is the Commission's 2006 annual report.

Public Law 2003, chapter 699 directs the Commission to hold at least two annual meetings and two annual public hearings to solicit public testimony and recommendations from Maine citizens and qualified experts. The Commission initially convened on October 6, 2004, and held eight meetings and two public hearings before June of 2005 (See First Annual Report of the Citizen Trade Policy Commission, November 2005).

During this current reporting period, the Commission held 6 meetings and 2 public hearings between September 30, 2005 and June 2, 2006. The Commission held all of its meetings at the State House in Augusta, Maine. On November 21, 2005, the Commission held a public hearing in Houlton, Maine and another in Lewiston, Maine on May 11, 2006. As a result of those meetings and public hearings, the Commission took the following actions:

- Met with and worked directly with the Office of the United States Trade Representative's (USTR) to establish a direct and open dialogue to maximize the ability of the Commission to convey the concerns of Maine's citizens to USTR in a timely and effective manner.
- Worked with Maine's Congressional Delegation, the Governor's Office, Maine's State Point of Contact and USTR to improve and expand the consultation process with USTR and Maine officials regarding international trade negotiations.
- In conjunction with the Forum on Democracy and Trade developed and conducted the Commission's 2006 annual assessment.
- Provided USTR with policy recommendations during the most recent round of the World Trade Organization's (WTO) Working Party on Domestic Regulation (WPDR) negotiations on rules implementing a provision of the General Agreement on Trade and Services (GATS) dealing with the domestic regulation of services.
- Established a legislative outreach subcommittee to better inform Maine's Legislature about trade related issues.
- Opposed the adoption of the proposed rules by the Department of Homeland Security pursuant to the Intelligence Reform and Terrorism Prevention Act that would require U.S. citizens and nonimmigrant aliens to present a passport or alternative form of documentation approved by the department in order to enter the United States from Canada.

- Supported the National Legislative Association on Prescription Drugs Prices' nomination of Sharon Treat to two USTR advisory committees.
- Began exploring possible funding sources to support an executive director position within the Commission.
- Requested that the Office of Policy and Legal Analysis identify bills from recent legislative sessions that may have trade implications and provide a list to the Commission.

In its first year of existence, the Commission created three subcommittees to focus on the broad policy areas of natural resources/environment, healthcare and labor/economic development for analysis. These subcommittees' continued to support the Commission's work throughout the period of this report by analyzing complex areas of international trade and reporting their findings to the full Commission.

Over the next reporting period, the Commission will work to maintain and improve its existing relationship with federal and state officials and to establish a network with other states entities similar to the Commission to enhance the role of Maine and other states in the negotiation of trade agreements. As part of its educational efforts, the Commission will work to ensure Maine legislators are informed about the potential benefits and pitfalls of existing trade agreements. Additionally, the Commission will continue with its analysis of the three major policy areas identified previously and seek to mitigate the adverse impacts some sectors in Maine are experiencing through on-going dialogue with federal and state officials and when practical, legislation.

I. INTRODUCTION

The Citizen Trade Policy Commission was established during the Second Special Session of the 121st Legislature by Public Law 2003, chapter 699. A copy of the law is attached as **Appendix A**. The 22-member Commission includes six legislators, an Attorney General designee, five non-voting agency officials representing the Department of Labor, the Department of Economic and Community Development, the Department of Environmental Protection, the Department of Agriculture, Food and Rural Resources, and the Department of Human Services, and ten public members representing business, labor, health, government and environmental interests. The Commission membership roster is provided in **Appendix B**.

The Commission was established to provide an ongoing state-level mechanism to assess the impact of international trade policies and agreements on Maine's state and local laws, business environment and working conditions. Specifically, the Commission was charged with the following duties:

- 1) To assess and monitor the legal and economic impacts of trade agreements on state and local laws, working conditions and the business environment;
- 2) To provide a mechanism for citizens and Legislators to voice their concerns and recommendations;
- 3) To make policy recommendations designed to protect Maine's jobs, business environment and laws from any negative impacts of trade agreements; and
- 4) To establish and maintain a communication link between local, state and federal agencies and the public.

Public Law 2003, chapter 699 requires the Commission to hold at least two meetings and two public hearings annually to solicit public testimony and recommendations from Maine citizens and qualified experts. The Commission is also required to submit an annual report on its activities and conduct an annual assessment of the impacts of international trade agreements on Maine's state and local laws and business environment. The Commission issued its first annual report and assessment in November, 2005. A copy of that report can be obtained through the Office of Policy and Legal Analysis or online at www.maine.gov/legis/opla/reportsnew.htm.

II. MEETINGS

During this 2005-2006 reporting period, the Commission held six meetings on the following dates: September 30, 2005; October 28, 2005; December 2, 2005; January 6, 2006; March 24, 2006, and June 2, 2006. Summaries of these meetings are attached as **Appendix C**. In general, the Commission used these meetings to establish an open dialogue with USTR to discuss on-going trade negotiations, to continue exploring the

impact of international trade on Maine's businesses, labor force, healthcare system and the environment and to coordinate its efforts with Maine's Congressional Delegation, state officials and other entities involved with international trade. During this reporting period the Commission had the following guest speakers attend its meetings:

- Christina Sevilla, Director for Intergovernmental Affairs and Public Liaison, Office of the United States Trade Representative. Ms. Sevilla provided the Commission with a case in general for international trade and then discussed what trade agreements do and don't do regarding local and federal regulation, procurements and investment rules and discussed USTR's consultation process with states. Martha Spiess provided the Commission with an audio recording of Ms. Sevilla's comments and a transcript of that audio is attached as **Appendix D**.
- Thea Lee, Chief International Economist/Policy Director, AFL-CIO. Mr. Lee presented information on the impact of trade policies on the state and national economy and noted the difficulty in isolating the economic impact of trade agreements because there is no standard agreed upon tool for measuring the effects.
- Staff of USTR (Christine Sevilla, Lewis Coress, Jean Grear and Chris Melly) all participated in a conference call with the Commission to discuss trade related issues such as GATS timetables, immigration issues, financial services, gaming commitments, consultation with states, domestic regulation of services, procurement, and worker's rights.
- Perry Newman, President of the Atlantica Group, an international consulting group, provided an overview of what the Atlantica Group does to facilitate international trade and stated that trying to slow the rate of international trade would ultimately fail and lead to a stagnation of the economy. Mr. Newman stressed that Maine must continue to increase its competitiveness in the global market.
- Peter Riggs from the Forum on Democracy and Trade, a non-profit organization based in New York, New York, met with the Commission in person and by conference call on numerous occasions to provide timely and invaluable trade related information and worked with the Commission to develop and conduct its 2006 assessment.
- Alan Stearns, Senior Policy Advisor to Governor Baldacci updated the Commission on the Governor's activities regarding trade related matters including the Governor's responses to ongoing negotiations of the General Agreement on Trade and Services at the World Trade Organization and to a USTR request for reciprocity on state government procurement components of trade agreements being negotiated with Panama and Andean countries.
- Commission members Rep. Carr and Mr. Peter Connell briefed the Commission on inequities between Canada and U.S. businesses and provided examples of these inequities in the modular home, logging, dairy, trucking, cement and potato industries.

- Sharon Treat, Executive Director of the National Legislative Association on Prescription Drug Prices presented information about a legislative working group on prescription drugs and trade. Ms. Treat presented the Commission with a draft of a Vermont resolution calling on USTR to form guidance on the definition of a “federal care program” under Annex 2-C of the United States-Australia Free Trade Agreement and asked the Commission to endorse Vermont’s model legislation and to advise Maine’s Legislature to come forward with a similar resolution.
- Commission member Linda Pistner, Chief Deputy Attorney General briefed the Commission on her participation in the National Association of Attorneys General national meeting and provided an overview of the status of legal challenges under trade agreements to local laws.
- Wade Merritt, Director of the Bangor office of the Maine International Trade Center (MITC) provided information about MITC’s position on the new passport requirements for U.S. citizens entering the United States from Canada.

III. PUBLIC HEARINGS

Over this reporting period the Commission also held two public hearings, one at the Houlton Southside Middle School in Houlton on November 21, 2005, and a second at Andover College, Lewiston on May 11, 2006. In general, the hearings were designed to solicit information from the public about both the positive and negative affects international trade agreements are having on Maine’s economy, labor force, healthcare and environment. In particular participants were encouraged to provide testimony about the impact trade agreements are having on business, labor the environment and democracy and requested input on what future trade agreement should include. The Commission also asked the public to comment on the creation of a national trade commission to vet trade related issues among all states. Summaries of the testimony received at the Houlton and Lewiston public hearings are attached as **Appendix E**. Additionally, DVDs of the Lewiston public hearing and the Bangor (February, 2005) and Portland (April 2005) public hearings are housed in the Office of Policy and Legal Analysis courtesy of Martha Spiess. Summaries of the Bangor and Portland public hearings are available in the Commission’s November 2005 annual report.

The Houlton hearing was attended by approximately 20 people and the Lewiston hearing was attended by approximately 45 people. Similarly to prior public hearings, the testimony was decidedly negative regarding the impact trade agreements are having in Maine. However, a number of participants stated that many Maine businesses benefit from global trade and more would if Maine became more aggressive in marketing Maine products in foreign markets.

In addition to general statements about the negative consequences trade agreements, particularly NAFTA, are having in Maine, participants provided specific

examples in agriculture (dairy and potatoes), healthcare and labor. The Commission used public input from these hearings as part of its discussions with USTR, Maine's Congressional Delegation and state officials about on-going trade negotiations. As a result, Maine was able to present a united front to USTR thereby enhancing the state's influence over on-going trade negotiations. (See section on Commission Activities for more details). Based in part on testimony received at these public hearings, the Commission developed the blue print for its 2006 assessment to create a strategy that will allow the state to better deal with on-going trade issues including issues identified at public hearings.

The Commission will continue to hold at least two public hearings annually in different geographic regions of the State as these hearings are an essential vehicle for the citizens of Maine to convey their concerns and ideas to the Commission and vis-à-vis to other state and federal officials.

IV. COMMISSION ACTIONS

In addition to activities previously discussed, the Commission engaged in the following activities:

1. The Commission voted unanimously to oppose the adoption of proposed rules by the Department of Homeland Security pursuant to the Intelligence Reform and Terrorism Prevention Act that would require United States citizens and nonimmigrant aliens to present a passport or an alternative form of documentation approved by the Department in order to cross the border from Canada. Currently, U.S. citizens and nonimmigrant aliens do not need to present a passport to enter the United States from Canada. The Commission opposed the new requirements because of concerns that the new requirement may unduly impede business and tourist activities between Maine and Canada while having a negligible impact on potential terrorism. The new requirements will take effect on January 1, 2008.
2. On June 16, 2006, the Commission communicated by letter its concerns to USTR regarding ongoing GATS negotiations for the adoption of rules pertaining to the regulation of domestic services. A copy of the letter to USTR is attached as **Appendix F**. The World Trade Organization's Working Party on Domestic Regulations (WPDR) was developing binding rules to implement GATS' Article VI. 4 requirements that a service regulation is "not more burdensome than necessary to ensure the quality of service." Previously the Commission had expressed concern that the creation of a test for "burdensomeness" or "necessity" would result in a standard for states that is more restrictive than the "rational basis test" provided for under federal law. Unfortunately recent proposals circulating within WPDR to define the GATS Article VI 4 language would create a standard of "national policy objectives" thereby potentially restricting the ability of states to adopt standards differing

form those at the federal level. In its letter the Commission urged USTR to reject that proposal or any proposal that would include a “necessity” or “burdensome” test. Instead, the Commission recommended that USTR seek the broadest possible definition of “quality of the service” to maintain the right of states to regulate all aspects of a service within its borders. Additionally, the Commission stressed that USTR had not been addressing concerns raised by the Commission and the Governor’s Office on a timely basis and requested that a USTR representative brief members of the Commission on current WPDR negotiations as soon as possible. Since the Commission’s communications with USTR, the WPDR has suspended its activities related to GATS, Article VI. 4 and USTR has agreed to meet with the Commission at its next meeting. A copy of USTR’s letter is attached as **Appendix G.**

3. The Commission developed and adopted a “blue print” for its annual assessment and voted unanimously to contract with the Forum on Democracy and Trade to conduct the Commission’s annual assessment pursuant to that blueprint. ¹A copy of the contract and blueprint are attached as **Appendix H.**
4. The Commission voted unanimously to endorse Vermont’s model legislation requesting that USTR provide guidance on the definition of a “federal care program” under the United States-Australia Free Trade Agreement and to advise Maine’s Legislature to come forward with a similar resolution. A copy of Vermont’s Resolution is attached as **Appendix I.**
5. The Commission voted unanimously to support the National Legislative Association on Prescription Drugs Prices’ nomination of Sharon Treat to the Industry Trade Advisory Committee on Chemicals, Pharmaceuticals, Health/Science Products and Services and the Industry Trade advisory Committee on Intellectual Property Rights that advise USTR on public health and healthcare matters. A copy of the letter of support is attached as **Appendix J.**
6. The Commission polled committee staff of the Office of Policy and Legal Analysis for any bills from recent legislative sessions that may have trade implications. A copy of the responses is attached as **Appendix K.**
7. As provided for by PL 2003, chapter 699, the Commission began exploring possible funding sources to support an executive director position within the Commission.

¹ Public Law 2004, chapter 699, provides that the Commission’s annual report include the Commission’s annual assessment. However, because the Commission is conducting this year’s assessment in conjunction with the Forum on Democracy and Trade, the Commission decided to release the report and assessment as separate documents. The assessment is scheduled to be released in early December, 2006.

8. Continued to work with Maine's Congressional Delegation and the Office of the Governor to coordinate efforts in addressing trade issues. Correspondence is attached as **Appendix L**.

V. SUB-COMMITTEES

During its first year of existence the Commission chose to focus on three broad policy areas natural resources/ environment; healthcare and labor/economic development. Additionally, the Commission established a legislative subcommittee to work with the other three policy subcommittees and the full Commission to assess the need for potential legislation and to draft language when appropriate. The Commission assigned members to subcommittees based on their expertise and interests and directed the subcommittees to focus on the development of a long-term work plan, tracking and analysis of trade agreements, functional roles in Maine and to identify issues that may require legislative action to resolve.

Also during its first year of existence, the Commission formed a legislative education subcommittee to develop overall goals and strategies to determine if and when legislation may be necessary and/or appropriate in order to take full advantage of trade agreements while minimizing any negative impacts on the State.

On October 28, 2005, the Commission reviewed its subcommittee structure and focus and agreed to continue with that structure but partially modified their areas of focus. In addition to the other subcommittees, the Commission established a legislative subcommittee to focus on providing relevant trade information to legislative committees and individual legislators in a timely manner to raise awareness about the implications of current trade agreements on the legislative process and how these agreements are affecting their constituency. Typically, subcommittees held meetings in conjunction with the Commission and reported their activities, findings and recommendations to the Commission for its consideration and action.

During this reporting year, the subcommittees continued to work on specific trade topics relevant to Maine but focused their research on the following areas:

- Healthcare Subcommittee: Health insurance commitments under GATS, nurse licensing standards, drug importation and preferred drug list pharmaceuticals, provision of health insurance, and the licensing of health-care officials and facilities;
- Labor/Economic Development Subcommittee: Government procurement; foreign direct investment and a review of current NAFTA/WTO trade issues and disputes with Canada;

Natural Resources/Environment Subcommittee: Current Farm Bill and WTO decisions, water withdrawal services, land use zoning and bulk storage of fuels and pipelines in light of GATS commitments and investment challenges.

In addition to these areas, subcommittees worked and continue to work on developing a model trade agreement that provides a positive vision of what should be in future trade agreements.

VI. AGENDA FOR NEXT YEAR

The Commission will continue to monitor trade negotiations over the next reporting period and strive to maintain and enhance its communications with USTR, Maine's Congressional Delegation, state officials and other states' trade related organizations to promote the adoption of trade agreements that are most advantageous to the citizens of Maine and other states. The Commission will hold regular meetings and at least two public hearings in divergent areas of the state over the next reporting period. As part of its educational efforts the Commission will work to ensure Maine legislators are informed about the potential benefits and pitfalls of existing trade agreements.

APPENDIX A

Public Law 2003, chapter 699

STATE OF MAINE

IN THE YEAR OF OUR LORD
TWO THOUSAND AND FOUR

H.P. 1337 - L.D. 1815

An Act To Establish the Maine Jobs, Trade and
Democracy Act

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 5 MRSA §12004-I, sub-§79-A is enacted to read:

<u>79-A.</u>	<u>Citizen Trade</u>	<u>Legislative</u>	<u>10 MRSA</u>
<u>Trade</u>	<u>Policy</u>	<u>Per Diem</u>	<u>§11</u>
	<u>Commission</u>	<u>and Expenses</u>	
		<u>for Legislators/</u>	
		<u>Expenses Only</u>	
		<u>for Other</u>	
		<u>Members</u>	

Sec. 2. 10 MRSA c. 1-A is enacted to read:

CHAPTER 1-A

INTERNATIONAL TRADE AND THE ECONOMY

§11. Maine Jobs, Trade and Democracy Act

1. Short title. This section may be known and cited as
"the Maine Jobs, Trade and Democracy Act."

2. Definitions. As used in this section, unless the
context otherwise indicates, the following terms have the
following meanings.

A. "Commission" means the Citizen Trade Policy Commission established in Title 5, section 12004-I, subsection 79-A.

B. "Trade agreement" means any agreement reached between the United States Government and any other country, countries or other international political entity or entities that proposes to regulate trade among the parties to the agreement. "Trade agreement" includes, but is not limited to, the North American Free Trade Agreement, agreements with the World Trade Organization and the proposed Free Trade Area of the Americas.

3. Purposes. The commission is established to assess and monitor the legal and economic impacts of trade agreements on state and local laws, working conditions and the business environment; to provide a mechanism for citizens and Legislators to voice their concerns and recommendations; and to make policy recommendations designed to protect Maine's jobs, business environment and laws from any negative impact of trade agreements.

4. Membership. The commission consists of the following members:

A. The following 17 voting members:

(1) Three Senators representing at least 2 political parties, appointed by the President of the Senate;

(2) Three members of the House of Representatives representing at least 2 political parties, appointed by the Speaker of the House;

(3) The Attorney General or the Attorney General's designee;

(4) Four members of the public, appointed by the Governor as follows:

(a) A small business person;

(b) A small farmer;

(c) A representative of a nonprofit organization that promotes fair trade policies; and

(d) A representative of a Maine-based corporation that is active in international trade;

(5) Three members of the public appointed by the President of the Senate as follows:

(a) A health care professional;

(b) A representative of a Maine-based manufacturing business with 25 or more employees; and

(c) A representative of an economic development organization; and

(6) Three members of the public appointed by the Speaker of the House as follows:

(a) A person who is active in the organized labor community;

(b) A member of a nonprofit human rights organization; and

(c) A member of a nonprofit environmental organization.

In making appointments of members of the public, the appointing authorities shall make every effort to appoint representatives of generally recognized and organized constituencies of the interest groups mentioned in subparagraphs (4), (5) and (6); and

B. The following 5 commissioners or the commissioners' designees of the following 5 departments who serve as ex officio, nonvoting members:

(1) Department of Labor;

(2) Department of Economic and Community Development;

(3) Department of Environmental Protection;

(4) Department of Agriculture, Food and Rural Resources; and

(5) Department of Human Services.

5. Terms; vacancies; limits. Except for Legislators, commissioners and the Attorney General, who serve terms coincident with their elective or appointed terms, all members are appointed for 3-year terms. A vacancy must be filled by the same appointing authority that made the original appointment. Appointed members may not serve more than 2 terms. Members may

continue to serve until their replacements are designated. A member may designate an alternate to serve on a temporary basis.

6. Chair; officers; rules. The first-named Senate member and the first-named House of Representatives member are cochairs of the commission. The commission shall appoint other officers as necessary and make rules for orderly procedure.

7. Compensation. Legislators who are members of the commission are entitled to receive the legislative per diem and expenses as defined in Title 3, section 2 for their attendance to their duties under this chapter. Other members are entitled to receive reimbursement of necessary expenses if they are not otherwise reimbursed by their employers or others whom they represent.

8. Staff. The Office of Policy and Legal Analysis shall provide the necessary staff support for the operation of the commission. After one year, the commission shall assess the need for and qualifications of a staff person, for example, an executive director. If the commission determines that it requires such a person, it may request additional funds from the Legislature.

9. Powers and duties. The commission:

A. Shall meet at least twice annually;

B. Shall hear public testimony and recommendations from the people of the State and qualified experts when appropriate at no fewer than 2 locations throughout the State each year on the actual and potential social, environmental, economic and legal impacts of international trade agreements and negotiations on the State;

C. Shall conduct an annual assessment of the impacts of international trade agreements on Maine's state laws, municipal laws, working conditions and business environment;

D. Shall maintain active communications with and submit an annual report to the Governor, the Legislature, the Attorney General, municipalities, Maine's congressional delegation, the Maine International Trade Center, the Maine Municipal Association, the United States Trade Representative's Office, the National Conference of State Legislatures and the National Association of Attorneys General or the successor organization of any of these groups. The commission shall make the report easily accessible to the public by way of a publicly accessible site on the Internet maintained by the State. The report must contain

information acquired pursuant to activities under paragraphs B and C;

E. Shall maintain active communications with any entity the commission determines appropriate regarding ongoing developments in international trade agreements and policy;

F. May recommend or submit legislation to the Legislature;

G. May recommend that the State support, or withhold its support from, future trade negotiations or agreements; and

H. May examine any aspects of international trade, international economic integration and trade agreements that the members of the commission consider appropriate.

10. Outside funding. The commission may seek and accept outside funding to fulfill commission duties. Prompt notice of solicitation and acceptance of funds must be sent to the Legislative Council. All funds accepted must be forwarded to the Executive Director of the Legislative Council, along with an accounting that includes the amount received, the date that amount was received, from whom that amount was received, the purpose of the donation and any limitation on use of the funds. The executive director administers any funds received.

11. Evaluation. By December 31, 2009, the commission shall conduct an evaluation of its activities and recommend to the Legislature whether to continue, alter or cease the commission's activities.

Sec. 3. Staggered terms. Notwithstanding the Maine Revised Statutes, Title 10, section 11, subsection 5, the appointing authorities for the original appointments of public members of the Citizen Trade Policy Commission shall designate their first appointment for a one-year term, their 2nd appointment for a 2-year term and any other appointments for a 3-year term. An initial term of one or 2 years may not be considered a full term for purposes of limiting the number of terms for which a member may serve.

Sec. 4. Appropriations and allocations. The following appropriations and allocations are made.

LEGISLATURE

Legislature

Initiative: Provides funds for the per diem and expenses for members of the Citizen Trade Policy Commission as well as public

hearing and general operation expenses. A base allocation in the amount of \$500 is included below in the event outside sources of funding are received for this purpose.

General Fund	2003-04	2004-05
Personal Services	\$0	\$1,320
All Other	0	11,050
General Fund Total	<hr/> \$0	<hr/> \$12,370
Other Special Revenue Funds	2003-04	2004-05
All Other	\$0	\$500
Other Special Revenue Funds Total	<hr/> \$0	<hr/> \$500

APPENDIX B

Membership list, Citizen Trade Policy Commission

Citizen Trade Policy Commission

Membership List as of August 1, 2006

Appointment(s) by the Governor

Matt Schlobohm
Maine Fair Trade Campaign
217 South Mountain Rd.
Greene, ME 04236
207 777-6387
matt@mainefairtrade.org

Representing Nonprofit Organizations Promoting
Fair Trade Policies

Paul Volckhausen
1138 Happy Town Road
Orland, ME 04472
207 667-9212
pkvolckhausen@panax.com

Representing Small Farmers

Currently vacant
(was James Wilfong)
PO Box 38
Fryeburg, ME 04037
207 697 2200
james@jameswilfong.com

Representing Small Business

Appointment(s) by the Senate President

Sen. Margaret Rotundo- Chair
446 College St.
Lewiston, ME 04240
207 784-3259
mrotundo@bates.edu

Senate Member

Sen. Bruce Bryant
P.O. Box 643
Dixfield, ME 04224
207 562-8872
sen.bryant@verizon.net

Senate Member

Sen. Kevin Raye
63 Sunset Cove Lane
Perry, ME 04667
207 853-9406
senatorraye@downeast.net

Senate Member

Peter Connell
74 Kal Shore Road
Norway, ME 04268-9756
207 539-4412
pconnell@oxfordhomesinc.com

Representing Maine-based Manufacturing
Business' with More than 25 Employees

Carla Dickstein
Coastal Enterprises Inc.
102 Federal Str.
Wiscasset, ME 04578

Representing Maine-based Corporations Active
in International Trade

Dr. Robert Weiss MD
10 Cromwell Drive
Orono, ME 04473
207 866-4077
rjw4077@verizon.net

Representing Health Care Professionals

Appointment(s) by the Speaker of the House

Rep. John Patrick - Chair
206 Strafford Avenue
Rumford, ME 04276
207 364-7666
johnpat2000@hotmail.com

Member of the House of Representatives

Rep. Roderick Carr
24 Pleasant Street
Lincoln, ME 04457
207 794-3911
roddy@telplus.net

Member of the House of Representatives

Rep. Deborah J. Hutton
31 Carding Machine Road
Bowdoinham, ME 04008
207 666-3811
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Member of the House of Representatives

Bjorn Claeson
Bjorn Skorpen Claeson
SweatFree Communities
30 Blackstone St.
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Representing Nonprofit Human Rights
Organizations

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Representing Nonprofit Environmental
Organizations

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Representing Organized Labor

Attorney General

Linda Pistner
6 State House Station
Augusta, ME 04333
207 626-8820
linda.pistner@maine.gov

Designee

Representing Economic Development
Organizations

Commissioner, Department of Environmental Protection

Malcolm Burson

Department of Environmental Protection
#17 State House Station
Augusta, ME 04333-0017
207 287-7755
malcolm.c.burson@maine.gov

Designee

Commissioner, Department of Health and Human Services

Barbara Van BURGEL

Department of Health and Human Services
Bureau of Family Independence 11 SHS
Augusta, ME 04333
207 287-3106
Barbara.VanBurgel@maine.gov

Designee

Commissioner, Department of Labor

Leslie Manning

6 Beech Street
Hallowell, ME 04347
207 624-6401
leslie.a.manning@maine.gov

Designee

Commissioner, Department of Agriculture

Mary Ellen Johnston

Department of Agriculture
28 State House Station
Augusta, ME 04333
207 287-9072
Mary.Ellen.Johnston@maine.gov

Designee

Commissioner, Department of Economic and Community Development

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APPENDIX C

Citizen Trade Policy Commission Meeting Summaries

Citizen Trade Policy Commission

Friday, September 30, 2005

State House, Room 126, Augusta

Meeting Summary

Members present: Sen. Margaret Rotundo (co-chair), Rep. John Patrick (co-chair), Sen. Bruce Bryant, Rep. Roderick Carr, Cynthia Phinney, Mary Ellen Johnston, Elizabeth Wyman, Vanessa Santarelli, Peter Connell, Dr. Robert Weiss, Paul Volckhausen, Mark Haggerty and Wade Merritt (on behalf of Richard Coyle).

Members absent: Sen. Kevin Raye, Rep. Deborah Hutton, Barbara Van Burgel, , James Wilfong, Matt Schlobohm, Bjorn Claeson, Jim Dusch, Richard Coyle, Carla Dickstein

Staff present: Curtis Bentley and Nicole Dube, Legislative Analysts

I. Introductions

Sen. Rotundo convened the Commission meeting and asked Commission members to introduce themselves.

II. Commission Work Session

Annual Report and Assessment

The Commission reviewed a draft of its annual report and assessment with staff. The Commission received comments from the Forum on Democracy and Trade on the three subcommittee assessments. Subcommittees agreed to meet in the afternoon to review these comments and develop a final draft.

Action items:

- Subcommittees agreed to email any changes to the draft subcommittee assessments to staff by October 14th
- Staff agreed to have a final draft of the Commission's report and assessment at the October 28th meeting
- The Commission directed staff to draft an executive summary for the report.

Scheduling the Next Commission Meeting

Staff informed the Commission that a representative from USTR was available to meet with the Commission on October 28th from 8:00-10:00. Commission members discussed the format and content of the meeting. Given the short time frame USTR will be available, the Commission agreed to prepare a limited number of questions in advance and to focus its discussion primarily on the USTR's consultation process. The Commission agreed to have the chairs start the meeting with brief history of the Commission and why USTR was invited to the meeting and give a statement regarding the inadequacy of the consultation process between USTR and the states. Commission members reviewed a list of questions for USTR it had generated last May and decided to use four questions from that list regarding

the consultation process and generate two additional questions on the upcoming Hong Kong round of negotiations on GATS and the recent decision on the Methanex case.

Action items:

- The Commission directed staff to send an invitation to the Congressional delegation to attend the USTR briefing on October 28th
- Commission member Liz Wyman agreed to draft a final list of questions for USTR
- Staff agreed to email the final list of questions to the Commission

Workplan for the Next Year

The Commission received a telephone briefing from Peter Riggs, Executive Director of the Forum on Democracy and Trade. Mr. Riggs identified the following five areas the Commission could potentially focus its work on over the next year:

- Healthcare pharmaceuticals – Dirigo choice
- Agriculture – milk subsidies
- Domestic Regulation on GATS – professional license requirements issues
- Methanex – codify decision
- Softwood Lumber Case in Canada

The Commission discussed its overall agenda for the next year and agreed it needed additional time to fully consider its options. It was suggested that over the next year the Commission try to join with other states as one voice to become more successful in negotiating with the USTR. It was also pointed out that NAG and the NCSL working groups may be good facilitators for working with other states. The Chairs agreed to move the discussion to the October 28th meeting. The Commission also discussed receiving a briefing from a representative of the AFL-CIO at its November meeting. Commission member Cynthia Phinney agreed to work with staff on securing a speaker and a date for the meeting.

III. Sub-committee Work Session

The Commission broke into its three subcommittees (healthcare, environment/natural resources and labor/economic development) to review the Commission's draft report and assessment. The full Commission then reconvened and each subcommittee briefed the Commission on its work.

IV. Adjournment.

The Commission adjourned its meeting at approximately 3:00PM

Citizen Trade Policy Commission

Friday, October 28, 2005

State House, Room 126, Augusta

Meeting Summary

Members present: Sen. Margaret Rotundo (co-chair), Rep. John Patrick (co-chair), Sen. Kevin Raye, Sen. Bruce Bryant, Rep. Roderick Carr, Rep. Deborah Hutton, Cynthia Phinney, Mary Ellen Johnston, Linda Pistner, Matt Schlobohm, Peter Connell, Bjorn Claeson, Carla Dickstein, Dr. Robert Weiss, Paul Volckhausen, Mark Haggerty and Wade Merritt (on behalf of Richard Coyle).

Members absent: Barbara Van Burgel, James Wilfong, Jim Dusch, Richard Coyle, Vanessa Santarelli

Staff present: Curtis Bentley and Nicole Dube, Legislative Analysts

I. Introductions

Sen. Rotundo convened the Commission meeting and asked Commission members to introduce themselves.

II. Office of the United States Trade Representative - Christina Sevilla

Christina Sevilla - Presentation

Christina Sevilla gave a brief presentation covering the following areas.

1. The overall case for trade
2. What trade agreements do and do not do
 - Local and federal regulation
 - Procurements
 - Investment rules
 - Consultation with states

Following Christina's prepared statements the Commission asked a series of questions and follow-up questions. Additionally, Alan Stearns asked Christina Sevilla a number of questions and made statements on behalf of the Governor. Per the Commission's request, a transcript of the proceedings is being prepared by staff and will be sent to Commission members and Maine's Congressional Delegation. Additionally, the Commission directed staff to send USTR the list of questions posed to Christina Sevilla for a written response along with a 'thank you' letter.

III. Commission work session

Annual report

- Annual report - The Commission reviewed the final draft of its annual report and voted unanimously to approve it with minor modifications.

Assessment

- Discussed options for producing an annual report by the end of FY 2005-06
- Directed staff to pull together existing literature dealing with the impacts international trade agreements have had on Maine for the Commission's review.
- Directed subcommittees to review subject areas to determine if they may need technical assistance from outside entities

Scheduling the Next Commission Meeting and Public Hearing

Next meeting:

- The Commission's next meeting will be held on December 2, 2005, starting at 9:30 a.m. ??? will talk to the Commission about labor and economic development interests in trade.
- For planning purposes, the Commission agreed to hold its monthly meetings on the first Friday of every month unless circumstances require alternative dates.
- Commission agreed to invite Alan Stearns from the Governor's office to its next meeting to discuss points of contact with USTR and to establish a subcommittee with Richard Coyle, Linda Pistner and others to keep active contact between the Commission, the Governor, SPOC and USTR.
- Commission members were directed to bring a list of entities that they would like the Commission to work with to help amplify the Commission's voice on trade related matters.
- Members should think about local trade issues that the Commission should work on and bring those ideas to the next meeting

Next public hearing:

- The Commission agreed to hold the next public hearing in Houlton, Maine on at 5:00 p.m. on Monday, November 21, 2005. Representative Carr will work with staff to find a suitable location.
- The public hearing will focus on border issues facing Maine businesses
- The Commission directed staff to issue a press release and to notify Maine's Congressional Delegation and the Governor about the meeting.

Briefing on IRTPA by Wade Merritt

- Commission voted unanimously to go on record as opposing the new passport requirement for crossing the border with Canada and directed the staff to notify the Governor's Office immediately and to send a letter stating the Commission's opposition to Maine's Congressional Delegation, the President of the United States and the Secretary of State. The Commission also directed staff to send out a press release.

FY 2005-06 Budget review and Executive Director position

- The Commission reviewed its budget for FY 2005-06 and decided not to develop legislation to create an executive director position.

Over-all Work plan for FY 2005- 06

- Commission will seek to improve relationship with USTR and will work with Maine's Congressional Delegation and other states to achieve this objective
- It was suggested that the Commission review the Federal Trade Act of 2002 because it is coming up for reauthorization in 2007 and the Commission may wish to put together what it thinks should be in a trade agreement
- Trade Promotion Authority – it was suggested that the Commission try to weigh in on this issue and directed staff to go to NCSL's webpage on this topic and send it to Commission members
- IT was suggested that the Commission work with Maine's Congressional Delegation to create more transparency during the negotiation process of trade agreements
- Legislators out-reach effort to educate legislators about the potential and current impacts international trade agreements are having on Maine. Invite Peter Riggs for the Forum on Trade And Democracy to meet with legislative committees to discuss why they need to consider trade matters when working bills
- Directed staff to poll OPLA for trade related items that were associated with the last legislative session
- The Commission agreed the second public hear should be held in central Maine.

III. Sub-committee Work Session

Subcommittees agreed to meet after the adjournment of the Commission and to report back on its work to the full Commission at its next meeting.

IV. Adjournment.

The Commission adjourned its meeting at approximately 1:00PM

Citizen Trade Policy Commission

Friday, December 2, 2005

State House, Room 126, Augusta

Meeting Summary

Members present: Sen. Margaret Rotundo (co-chair), Rep. John Patrick (co-chair), , Sen. Bruce Bryant, Rep. Roderick Carr, Rep. Deborah Hutton, Cynthia Phinney, Matt Schlobohm, Peter Connell, Bjorn Claeson, Carla Dickstein, Dr. Robert Weiss, , Mark Haggerty, Leslie Manning (on behalf of Vanessa Santarelli, Liz Wyman (on behalf of Linda Pistner) and Stephen Franck (on behalf of Richard Coyle).

Members absent: Sen. Kevin Raye, Mary Ellen Johnston, Barbara Van Burgel, Linda Pistner, James Wilfong, Jim Dusch, Richard Coyle, Vanessa Santarelli, and Paul Volckhausen

Staff present: Nicole Dube, Legislative Analyst

I. Introductions

Sen. Rotundo convened the Commission meeting and asked Commission members to introduce themselves.

II. Briefing from Thea Lee, Chief International Economist/Policy Director, AFL-CIO

Thea Lee gave a brief presentation on the impact of current trade policies on the state and national economy. Ms. Lee noted the difficulty in isolating the economic impact because there is no standard agreed upon tool for measurement. Ms. Lee identified the following indicators:

A. Job Indicators

1. Job Loss

A. NAFTA

- The U.S. small trade surplus with Mexico in the 1990's was projected to grow in 15 years but actually turned negative in the 1st year of NAFTA.
- The net result of NAFTA was a tenfold increase in the trade deficit to 111 billion and an overall loss of 1 million jobs
- Maine has lost 4,000 jobs due to increased trade deficits since NAFTA
- The U.S. trade deficit grew from \$70 billion in 1993 to \$617 billion in 2004

B. China

- The United States' trade deficit with China has increased twenty-fold since the late 1980s, rising from \$6.2 billion in 1989 to \$124 billion in 2003, and displacing 1.5 million jobs. (See EPI study: (www.epinet.org))
- Maine lost 14,951 jobs, which was the most of any other state
- In the 1990's most imports were in lower tech, however now they have shifted to the high tech industry. Computers are Maine's largest export which is a concern for Maine
- It's not just the growth but the composition of the trade deficit that is the concern.

2. Services

The U.S. has a 48 billion trade surplus which is an advantage, however it has declined by half of what it was in 1999 (90 billion). This decline is partly due to outsourcing of white collar services. Trade data in services is not good because it is dependent upon self-reporting by companies.

3. Agriculture

The agriculture surplus turned into a deficit in 2004. The U.S. Department of Labor collects statistics through the Trade Adjustment Assistance Program, which measures individual jobs lost because of trade. The statistics are low estimates because 1) not every worker knows they are eligible for the program, 2) some states are better than others in administering the program and 3) the program does not count jobs that are not created. Public Citizen compiled details of TAAP figures at www.citizen.org.

B. Wage indicators

There has been a 15-40% increase in wage inequality due to trade technology and productivity growth. This impacts the balance of bargaining power, weakening the ability of workers to bargain.

C. Content of Agreements

A. General

- The debate regarding the content of trade agreements is important because it's about social values
- Need to use trade relations to set different economic incentives; want system to support fundamentalist human rights.
- The International Labor Organization adopted a Declaration on Fundamental Principles and Rights at Work in 1998 that outlines core workers rights including freedom of association, abolition of child labor, elimination of discrimination and elimination of forced labor
- The issue of labor rights is not on the agenda for the WTO negotiations in Doha

B. Unilateral preference programs - General System of Preferences (GSP) includes labor rights conditionalities

C. Bilateral Agreements

1) NAFTA provisions are very weak; there is a lack of enforcement - there has never been a fine paid for failure to adhere to labor rights

2) Jordan Free Trade Agreement (1998-1999) includes three commitments:

- respect ILO core rights
- commit to enforce own labor laws
- do not weaken labor laws to increase trade in core agreement

3) Bush Agreements (CAFTA)

All have the same labor chapter which states they only have to enforce their own labor laws which creates incentive for countries to change their labor laws

Questions raised by Commission members:

Is there an example of trade liberalization lifting a country out of poverty?

Who negotiated NAFTA and CAFTA?

How is Maine doing in terms of its agricultural trade deficit?

How can the Commission improve its effectiveness?

One of the problems labor has faced is the high cost of healthcare. Why hasn't the AFL-CIO educated its membership on the role of a single payer health system as a means of increasing health care coverage?

What is the most effective way to communicate with USTR?

Is anyone in the economic development community involved in AFL-CIO efforts

Are there statistics on the impact of free trade agreements on rural areas and small businesses?

Are there examples of improvements in labor rights provisions due to enforcement of the GSP?

Are the Jordanian labor rights provisions a model for other agreements?

The increase in the trade deficit has resulted in a loss of employment, stagnant income, etc. How has it impacted profits? If profits have increased how has it impacted productivity?

III. Discussion of Border Issues

Commission members Peter Connell and Rep. Carr briefed the Commission on inequities between Canadian and U.S. businesses and identified the following examples:

Illegal Installation of Modular homes

Despite changes in federal regulations there is still a significant lack of enforcement of NAFTA provisions at the US-Canadian border to prohibit the entry of Canadian drivers as business visitors to set modular homes. Canadian workers are performing illegal construction work in the U.S. Some Canadian workers who are permitted to transport and deliver manufactured homes into the U.S. under B-1 visas are then also installing or assembling the manufactured homes at the delivery site which is in violation of NAFTA and immigration laws. It also places these workers in direct competition with U.S. workers, and places American firms at a competitive disadvantage.

Logging Industry

Maine companies advertise jobs at the prevailing wage and once they are unable to find Maine loggers, they can hire Canadian loggers under the federal H-2 bonded labor program. It appears that some contractors seek bonded labor because they cannot afford to pay a living wage for U.S. workers and that the establishment of the prevailing wage rates and the availability of bonded labor keep wages for the logging industry low. Canadian workers can afford to work for less because of their health care coverage and the exchange rate.

Houlton Dairy

Houlton Dairy wanted to sell ice cream in Canada and was told they were unable to because Canada had a quota which was filled

Fatsco Fabrication, Inc. (Lincoln, ME)

This company sold a boiler in Canada but was not allowed to install it. However, Canadian companies can install boilers sold in Maine which creates an unfair business advantage.

G.E. Goding & Son (Lincoln, ME)

This cement company had a truck break down in Canada and sent a mechanic who was not allowed to fix it; they were required to use a Canadian mechanic

Trucking

Canadians drop off/pick up loads of potatoes from different states and sometimes store them in Maine and other states

Potatoes

According to testimony received from the Maine Potato Board, Canada's Standard Container Law prohibits the importation of U.S. fresh potatoes to Canada in bulk quantities unless a special Ministerial Exemption is granted. The exemptions are granted on a case-by-case basis and only if "there is no domestic (Canadian) production" to supply the order. Both the receiving province and any neighboring province can prohibit U.S. imports if domestic (Canadian) potatoes are available in any of those provinces. Price cannot be used as a factor in determining a shortage of domestic product. In practice, this has meant that there must be a shortage of potatoes throughout Canada before a Ministerial Exemption will be granted. The bulk shipment prohibition does not apply to Canadian potatoes shipped within a province and is applied in a much less trade-restrictive manner to potatoes shipped between provinces, since in that case, only the receiving province can object to bulk imports on the basis that there is available local production.

Because the bulk shipment prohibition and the criterion for exemptions treat U.S. imports less favorably than "like" Canadian potatoes, the law violates the National Treatment principle of the WTO (GATT Article III) and the comparable NAFTA provision (Article 301). GATT Article III and NAFTA Article 301 require that Canada treat imports "no less favorably" than the treatment it accords to its own "like" domestic products. To correct the violation, the underlying law would need to be removed.

Canadian Trade Ombudsman

The position was created by legislature during the King Administration, yet was first funded in the first budget of Governor Baldacci's term. Governor Baldacci did not nominate a person to the position during his first biennium (the 121st Legislature), due to a combination of budget constraints and other factors. During the 122nd Legislature funding for the position was eliminated due to budget constraints. Commission members expressed strong support for the position to be filled and for the need to establish a mechanism to field and respond to complaints and issues that arise in a timely manner.

IV. Briefing from Alan Stearns, Senior Policy Advisor to Governor Baldacci

Alan Stearns updated the Commission on the following trade activities:

GATS Letter

The Governor sent a letter on December 2nd to USTR regarding its May 3rd request for comments regarding ongoing negotiations at the World Trade Organization (WTO) on the General Agreement on Trade in Services (GATS). The letter echoes the Commission's concerns outlined in its May 27th memo to USTR regarding the lack of information and inadequate time to fully consider the request. The letter falls short of asking that Maine be "carved out" but does request additional time to consider the request. The Governor's legal staff determined that in this situation the Commission's comments should carry as much weight as the Governor's.

Panamanian and Andean Trade Agreements

The Governor will send a letter to USTR in response to their request for reciprocity on state government procurement components of trade agreements being negotiated with Panama and Andean countries. The letter will decline this request for two legal reasons: 1) the incentive creates an uneven playing field for businesses from different states (Governor's office will explore the constitutional implications of not receiving the incentive) and 2) the simplicity of USTR's fact sheets do not provide adequate information to help make decisions.

The Commission also discussed strategies to improve communication and processes for responding to requests made of Maine. The Commission passed a motion directing staff to follow up with the Congressional Delegation regarding the Commission's July 2nd letter to the delegation asking them to

communicate with USTR and ask for Maine to be carved out and ask for a response to the four questions included in the Commission's July 5th letter to USTR. The Commission also discussed holding joint meetings with the Maine International Trade Center and state Commissioner's to discuss how to best utilize government resources to address trade issues.

IV. Workplan

The Commission continued to work on developing an overall workplan for 2006 and identified the following priorities/action items:

- Commission will seek to improve relationship with USTR and will work with Maine's Congressional Delegation and other states to achieve this objective
- Sen. Rotundo will chair an ad-hoc subcommittee on Legislative Outreach. The goal is to educate legislators about the potential and current impacts international trade agreements are having on Maine. Sen. Rotundo will invite Peter Riggs for the Forum on Trade And Democracy to meet with legislative committees to discuss why they need to consider trade matters when working bills.
- Directed staff to poll OPLA staff for trade related items that were associated with the next legislative session
- Commission will work to build coalitions with other states and similar organizations (NCSL, NAAG, CSG)
- Commission will work to address cross-border issues; will explore possibility of creating a new subcommittee to address these issues
- Commission member Bjorn Claeson agreed to explore outside funding sources to hire full time staff and will report back to the Commission at the January 6th meeting.
- The Commission will explore outside funding opportunities for Commission members to attend national meetings
- Commission will initiate a discussion with the MITC Board of Trustees on cross border issues – Labor subcommittee will facilitate and Sen. Rotundo will make initial contact
- Matt Schlobohm agreed to develop a one page proposed workplan outlining a new subcommittee structure and email it to the Commission before the next Commission meeting
- The Commission agreed to meet on the first Friday of each month and hold subcommittee meetings at the beginning on the day
- The Commission agreed to focus its next meeting entirely on finalizing a workplan

IV. Adjournment.

The Commission adjourned its meeting at approximately 3:00PM

Citizen Trade Policy Commission

Friday, January 6, 2006

Room 126, State House, Augusta

1:00 PM Meeting of the full Commission

Meeting Summary

Members present: Sen. Margaret Rotundo (co-chair), Rep. John Patrick (co-chair), Sen. Kevin Raye, Rep. Deborah Hutton, Cynthia Phinney, Matt Schlobohm, Dr. Robert Weiss, , Mark Haggerty, Linda Pistner, Wade Merritt (for Richard Coyle), Mary Ellen Johnston, and Paul Volckhausen.

Members absent: Rep. Rod Carr, Sen. Bruce Bryant (attended morning subcommittee meetings), Barbara Van Burgel, James Wilfong, Jim Dusch, Vanessa Santarelli, Bjorn Claeson, Jim Dusch and Peter Connell.

Staff present: Curtis Bentley and Karen Nadeau-Drillen, Legislative Analysts

I. Meeting of subcommittees prior to full commission meeting (9:00AM)

The Citizen Trade Policy Commission's three subcommittees – Healthcare, Natural Resources/Environment, and Labor/Economic Development – At the Commission's December 2005 meeting, Matthew Schlobohm was directed to develop a draft 2006 work plan for the Commission to review at this meeting. Subcommittees reviewed the draft and amended it into final draft form to be presented to the full Commission at 1:00PM.

II. Discussion of Commission's 2006 Work Plan

Subcommittees presented the draft overall work plan to the Commission. The draft included 11 items that outlined areas for the Commission to monitor and identified the parties responsible for each item. See attached work plan.

Representative Hutton motioned and Senator Raye seconded the motion to accept the draft plan for the Commission's work plan for 2006. Of those voting members present, the motion passed unanimously.

III. Presentation by the National Legislative Association on Prescription Drug Prices (NLAR)

Sharon Treat, former state legislator and current executive director of NLAR, gave a brief presentation about a legislative working group on prescription drugs and trade. Ms. Treat presented the Commission with a draft of a Vermont resolution calling on the United States Trade Representative (USTR), Robert Portman, to form guidance on the definition of a "federal care program" under Annex 2-C of the United States-Australia Free Trade Agreement. More specifically, the resolution calls on USTR to "pursue the exchange of an Interpretive Note with the Government of Australia, clarifying that state administration of Medicaid programs and pharmaceutical assistance programs under the Medicare Modernization Act is not included in the definition of a 'federal care program' under

Annex 2-C.” Ms. Treat asked the Commission to endorse the Vermont model legislation and to advise the Maine Legislature to come forward with a similar resolution.

The USTR has assured state in writing that state programs are not covered by recent trade agreements signed by the United States. Sen. Raye asked if the resolution would simply put more force behind this statement. Ms. Treat responded that the USTR has no force because the agreement needs to be bilateral (i.e. need Australian government on board). She also suggested that the Commission might want to engage Maine’s Congressional delegation to get this done.

Ms. Treat also said that endorsement of the Vermont resolution could be coordinated with other states and that there could be a joint rollout.

Both Representatives Patrick and Hutton are willing to cosponsor a resolution modeled after Vermont legislation. Senators Rotundo and Raye also agreed to cosponsor such a resolution, and will seek other legislators to cosponsor it. Senators Rotundo and Raye also agreed to be contacts for Ms. Treat and NLAR.

Linda Pistner made the motion that the Commission support a joint resolution and that the Commission’s vote be put in letterform to be distributed to the legislature; Dr. Weiss seconded it. The motion passed with a unanimous vote.

IV. Discussion of Outside Funding for Staffing

A summary of outside funding possibilities for a full-time staff position developed by Bjorn Claeson was distributed to the Commission by its staff on Mr. Claeson’s behalf. The summary is attached. Dr. Weiss recommended that the Commission determine what financial resources are needed to secure the position before beginning the actual fundraising activities. Linda Pistner suggested that contracting for services would be another option. Sen. Rotundo stated that the Commission needed to be extremely careful about funding sources to preserve the Commission’s credibility as a nonpartisan entity. She also polled Commission members to see who may have the energy and time to write grants and pursue funding.

V. General Agreement on Trade (GATS) Letter

The Commission then discussed the Congressional Delegation’s response to the Commission’s July 2005 letter requesting assistance in obtaining information from the USTR regarding the federal government’s intentions to commit Maine state laws to comply with GATS. Thus far there has been no response. Matt Schlobohm discussed the fact that more GATS requests will be made this year. This is the third request offer phase in negotiations. All voting members of the Commission agreed to send a letter to USTR to ask the following:

- When will we be consulted?
- How will we be consulted?
- How much time will we have to respond?

OPLA staff will draft this letter, sending copies to the Congressional delegation. After the letter is sent to USTR, the Commission directed staff to ask Richard Coyle to give USTR a follow up call.

VI. Education

Sen. Rotundo gave a briefing on education relating to trade issues and noted that there are three opportunities for press regarding the CTPC.

1. In the next few weeks, hold a press conference releasing CTPC's annual report.
2. At the same time, release news of endorsement of Vermont resolution (see above).
3. Also, plan visits to various joint standing policy committees with oversight on various world trade issues: Health and Human Services; Utilities and Energy; Legal and Veteran's Affairs (gambling); Business Research and Economic Development; Natural Resources; Agriculture, Conservation and Forestry; and Labor. The presentations, approximately 30 minutes long, would provide an overview of CTPC's charge and then focus on the reasons each Committee should have trade issues on their respective radar screens.

VII. Briefings from Subcommittees

A. Labor (Cynthia Phinney)

The Labor Subcommittee will initiate a discussion with the Maine International Trade Center (MITC) Board of Trustees on cross-border trade issues with Canada. This subcommittee will also work on Item 9 of the 2006 Work Plan, which is the development of what CTPC would like to see in future trade agreements.

B. Natural Resources (Mary Ellen Johnston)

The Natural Resources Subcommittee plans to contact Peter Riggs (Forum on Trade and Democracy) to get feedback on what the Forum has identified as issues to pursue in this area.

C. Healthcare (Matt Schlobohm)

The Healthcare Subcommittee will work with Sharon Treat and NLAR on drafting a resolution similar to the State of Vermont. The subcommittee will continue to work toward educating the Legislature. They will also look into the health insurance industry, specifically research and gaps in health insurance commitments to health care and trade. Dr. Weiss will look into the licensing policy implications relating to GATS.

VII. Other

Linda Pistner gave a brief presentation about her participation in a National Conference of State Legislature's meeting. She will be putting together a memo on the high points of the meeting.

Next meeting will be held either Friday, February 10th or Friday, February 17th from 9:00 AM to 12 noon. The Commission is waiting to see which date works better for a report from MITC before setting the date. Cynthia Phinney will notify staff about which date MITC is available on. The Commission agreed not to hold a meeting in either February or March due to Legislative demands.

The Commission set the next public hearing for Thursday, May 11, 2006 at 6:00 PM in Lewiston.

IV. Adjournment.

The Commission adjourned its meeting at approximately 3:00PM

Citizen Trade Policy Commission

Friday, March 24, 2006

Room 126, State House, Augusta

9:00 AM meeting of the subcommittees

10:30 PM meeting of the full Commission

Meeting Summary

Members present: Sen. Margaret Rotundo (co-chair), Rep. John Patrick (co-chair), Rep. Deborah Hutton, Matt Schlobohm, Bjorn Claeson, Linda Pistner, Richard Coyle, Leslie Manning, Malcolm Burson and Paul Volckhausen.

Members absent: Sen. Kevin Raye, Sen. Bruce Bryant, Rep. Rod Carr, Mary Ellen Johnston, Barbara Van Burgel, Dr. Robert Weiss, Cynthia Phinney, Mark Haggerty, and Peter Connell.

Staff present: Curtis Bentley, Legislative Analyst

I. Meeting of subcommittees prior to full commission meeting (9:00AM)

The Citizen Trade Policy Commission's three subcommittees – Healthcare, Natural Resources/Environment, and Labor/Economic Development – The subcommittees met to discuss work plan assignments and priority issues for the annual assessment. The subcommittees presented an overview of their discussions to the full Commission at 10:30AM.

II. Conference call with USTR (Christine Sevilla, Lewis Coress, Jean Grear, Chris Melly (spelling. anyone I missed???)

- GATS briefing: Ministers set timetable – February 28, 2006 to submit offers; meeting in Geneva in April (additional meetings in the spring); deadline to review offers is July 31, 2006; deadline for final offers is October 31, 2006
- Top requests of U.S. from other countries- temporary employment for foreign professionals to work in U.S. (no support in Congress for this) and maritime transportation.
- Mode 4 – U.S. Congressional members responsible for immigration matters have directed USTR not to negotiate any immigration issues. India is the main requestor but a number of other developed countries have made requests as well.
- Request from U.S. of other countries – Financial services such insurance, securities, banking and energy services. Want to update existing insurance commitments based on changes at state level (haven't asked states to change anything).
- Gaming commitment – U.S. is assessing compliance with finding of appellant panel and may modify existing commitment down the road but not doing anything now.
- Consultation with states – When USTR has something to share with states they will go to the SPOC and it is up to the states to distribute that information

internally. The USTR will continue to rely on the SPOC for information and responses from the states. Will try to notify SPOC at least 6 weeks ahead of any deadline for negotiations to allow 2-3 weeks for a response from the states. USTR is uncertain about whether or not it speaks on behalf of the whole state or just as the Commission. Christina requested that such clarification in the future would be helpful. Christina also stated that if Maine want to opt out of a schedule of commitments it should think about why it is doing so and whether or not that sends a bad message.

- Domestic relations – there is a call out for additional text proposals by April of May of this year to be considered over next 6 months and completed by October or November of 2006.
- Asked the Commission to send an electronic version of the Governor's response to Maine's participation in the Panama and Andean agreement because USTR had not yet received it. Suggested all communications to USTR be sent both electronically and by hard copy because regular mail is often delayed for security purposes. The Commission agreed to routinely send all communications by hard copy and electronically.
- Procurements – Just finishing Panama/Andean agreement and starting negotiations with Korea, Malaysia and Thailand. Also, WTO procurement agreement – working on market access expansion but have made no offers that would affect what happens at the state level.
- Worker's rights- In all negotiations the U.S. raises worker rights issues at the beginning of negotiations and will be part negotiations with Malaysia. The enforcement of labor laws is a primary part of negotiations and measures have been taken to enforce labor requirements. To enforce labor laws first action would be a monetary assessment that would go into a fund to be used to deal with the issue. If the country doesn't pay the assessment then would move for a trade sanction. Regarding Peru, USTR has worked closely with Congress to address labor issues on both sides of the Hill.
- Commission member raised concerns about states no longer having a meaningful role in the issuance of visas for temporary entry into U.S. for professionals. USTR not in a position to respond directly to that question but stated that from their prospective it was more about the number of visas issued and that recent cases would not affect the process.
- Christina stated that 1/7th of Maine's jobs are reliant on exports. Canada, Malaysia and Singapore are the top countries Maine exports to and Malaysia is number one for manufactured goods. However, Richard Colye pointed out that almost all exports to Malaysia are semi-conductor components and if you remove that good from the equation Malaysia and Singapore drop off the list.
- Christina stated that if the Commission has questions for USTR it would be best to address those questions through a conference call instead of mail correspondence.

III. Discussion after the conclusion of the conference call with USTR

- Commission agreed to send Christina a "thank you" letter and to let her know that concerns raised by the Commission are things Commission members hear from Maine citizens.
- Commission agreed to send its recommendations to the Governor first for his response before sending it to USTR.
- Noted that the trade promotion authority is up for renewal in 2007 and suggested that the Commission should keep it on its radar screen.
- Suggested that the Commission should work to reach out to other states

IV. Discussion of 2006 assessment

The voting members of the Commission present (6) voted unanimously to enter into an agreement with the Forum on Democracy and Trade (Forum) to develop the Commission's 2006 assessment. All non-voting members of the Commission were in agreement with the voting members. Because there was not a quorum of voting members present, the Commission directed staff to conduct another vote by email and the Commission would confirm that vote at its May 11th public hearing. The Commission directed staff to notify the Forum of its vote.

The Commission directed staff to determine funding sources for the Forum so that the Commission has a better idea of who it is partnering with on the assessment. Staff was also tasked with determining whether or not the assessment work needed to go out for bids.

Leslie Manning suggested that the Commission work with interns and she offered to follow up on the possibility of utilizing interns for Commission work.

The Commission agreed to have its subcommittee work with staff and the Forum to develop a blue print for the assessment. Matt Schlobohm, Bjorn Claeson and Cynthia Phinney were appointed the contact person for each subcommittee.

1. General suggestions for blue print

Suggested that the Commission select an area where Maine is currently exercising leadership or working with other states. Consider areas where Maine does have regulatory authority. The assessment should be in a form that can be used for educational purposes.

2. Subcommittee suggestions for areas that could be used for assessment

- Natural Resources/Environment Subcommittee:

- A. Water withdrawal regulations;
 - B. Impact of U.S. including L&P gas terminals on Maine;
 - C. Action plan for regional greenhouse gas reductions;
 - D. Regulations around electronic waste;
 - E. Chemical rules by state that may conflict with trade agreements
(Matt Schlobohm suggested including this item); and
 - F. Land use restriction (Rep. Hutton suggested including this item).
- Healthcare Subcommittee:
 - A. Re-importation of prescription drugs;
 - B. Dirigo health;
 - C. Licensing standards
 - Labor Subcommittee: Because of subcommittee members not in attendance, it needed to meet again before could provide a list of items for discussion.

3. Blue print schedule

A draft of the blue print should be circulated to the entire Commission by the first week of May. Subcommittees will email suggestion to staff for the draft blue print to be put into a working document for further consideration by the subcommittees and the Forum. The final draft of the assessment blue print should be available for review and approval by the full Commission at its May 11th meeting.

V. Discussion of May 11th public hearing

Topic for public hearing – To gather input from the public both the positive and negative about the impact trade agreements are having on business, the environment, labor and democracy. Also input on what future trade agreements should look like and thoughts about establishing a national trade commission to vet trade issues among all the states.

Publicity for hearing – The Commission directed staff to send press release to the media in particular the Lewiston Sun Journal and the Lewiston Chamber of Commerce a few weeks before the public hearing. Matt Schlobohm will talk to students at the USM Lewiston/Auburn campus o spread the word about the hearing. The Commission agreed that the Congressional delegation and Lewiston's local councilmen should be directly invited to attend the hearing. Suggested the chairs put together an opt-ed piece for the Lewiston Sun Journal and the Twin City Times about the Commission and its work.

Work session before public hearing starts – The Commission agreed to hold a regular meeting on May 11th at 5:00PM before the public hearing in the public hearing room to discuss and vote on assessment matters.

VI. Other

Update on scheduling a meeting with MITC – MITC's board is willing to meet with the Commission and Sen. Rotundo is working with MITC to find a mutually agreeable date for a meeting later this spring.

Update on Doha Round of negotiations – Rep. Hutton provided information to the Commission about a May 1, 2002 letter from Wal-Mart that is USTR asking to remove zoning restrictions that could impact local zoning laws and ordinances. It was suggested that this may cause the Maine Municipal Association to get involved in these trade issues. Linda Pistner volunteered to be the point person on this issue. It was suggested that this may be a good agenda item for MMA workshop training and Leslie Manning volunteered to put something together for this.

Update on status of federal trade agreements - Matt Schlobohm provided the update and said the U.S./Oman bilateral trade agreement has labor issues and has been signed and could come up in Congress at any point in time. Also, the Panama/Andean agreement could come up in Congress at anytime. WTO negotiations are being moved ahead in order to finish it before the "fast track" authority expires.

Discussion of developing a vision for future trade policy - It was suggested that the Commission should start putting together a model trade agreement and could work with the Forum and other states to create this document. It may be possible for the Forum to include this in its assessment.

Discussion of outside funding for staffing – Bjorn Claeson reported that language for an executive director position has been drafted to present to potential donors. The draft would include an executive director and an office manager for \$125,000 plus expenses. Mr. Claeson suggested that it could be drafted so that the positions would be part of another state entity or could be drafted as an independent contractor. The position would be responsible for research, writing letters and reports, publicity, legislative drafting and making connections with appropriate private, state, federal and international entities. Mr. Caeson will email a draft to Commission members in the next few weeks.

Next meeting date – The Commission will hold its next regular meeting on June 2, 2006. No agenda items were discussed.

VII. Adjournment.

The Commission adjourned its meeting at approximately 3:00PM.

Citizen Trade Policy Commission

Thursday, May 11, 2006

Room 126, State House, Augusta

9:00 AM meeting of the subcommittees

10:30 PM meeting of the full Commission

Meeting Summary

Members present: Sen. Margaret Rotundo (co-chair), Rep. John Patrick (co-chair), Rep. Deborah Hutton, Matt Schlobohm, Bjorn Claeson, Linda Pistner, Richard Coyle, Leslie Manning, Malcolm Burson and Paul Volckhausen.

Members absent: Sen. Kevin Raye, Sen. Bruce Bryant, Rep. Rod Carr, Mary Ellen Johnston, Barbara Van Burgel, Dr. Robert Weiss, Cynthia Phinney, Mark Haggerty, and Peter Connell.

Staff present: Curtis Bentley, Legislative Analyst

I. Meeting of subcommittees prior to full commission meeting (9:00AM)

The Citizen Trade Policy Commission's three subcommittees – Healthcare, Natural Resources/Environment, and Labor/Economic Development – The subcommittees met to discuss work plan assignments and priority issues for the annual assessment. The subcommittees presented an overview of their discussions to the full Commission at 10:30AM.

II. Conference call with USTR (Christine Sevilla, Lewis Coress, Jean Grear, Chris Melly (spelling. anyone I missed???)

- GATS briefing: Ministers set timetable – February 28, 2006 to submit offers; meeting in Geneva in April (additional meetings in the spring); deadline to review offers is July 31, 2006; deadline for final offers is October 31, 2006
- Top requests of U.S. from other countries- temporary employment for foreign professionals to work in U.S. (no support in Congress for this) and maritime transportation.
- Mode 4 – U.S. Congressional members responsible for immigration matters have directed USTR not to negotiate any immigration issues. India is the main requestor but a number of other developed countries have made requests as well.
- Request from U.S. of other countries – Financial services such insurance, securities, banking and energy services. Want to update existing insurance commitments based on changes at state level (haven't asked states to change anything).
- Gaming commitment – U.S. is assessing compliance with finding of appellant panel and may modify existing commitment down the road but not doing anything now.
- Consultation with states – When USTR has something to share with states they will go to the SPOC and it is up to the states to distribute that information

internally. The USTR will continue to rely on the SPOC for information and responses from the states. Will try to notify SPOC at least 6 weeks ahead of any deadline for negotiations to allow 2-3 weeks for a response from the states. USTR is uncertain about whether or not it speaks on behalf of the whole state or just as the Commission. Christina requested that such clarification in the future would be helpful. Christina also stated that if Maine want to opt out of a schedule of commitments it should think about why it is doing so and whether or not that sends a bad message.

- Domestic relations – there is a call out for additional text proposals by April of May of this year to be considered over next 6 months and completed by October or November of 2006.
- Asked the Commission to send an electronic version of the Governor's response to Maine's participation in the Panama and Andean agreement because USTR had not yet received it. Suggested all communications to USTR be sent both electronically and by hard copy because regular mail is often delayed for security purposes. The Commission agreed to routinely send all communications by hard copy and electronically.
- Procurements – Just finishing Panama/Andean agreement and starting negotiations with Korea, Malaysia and Thailand. Also, WTO procurement agreement – working on market access expansion but have made no offers that would affect what happens at the state level.
- Worker's rights- In all negotiations the U.S. raises worker rights issues at the beginning of negotiations and will be part negotiations with Malaysia. The enforcement of labor laws is a primary part of negotiations and measures have been taken to enforce labor requirements. To enforce labor laws first action would be a monetary assessment that would go into a fund to be used to deal with the issue. If the country doesn't pay the assessment then would move for a trade sanction. Regarding Peru, USTR has worked closely with Congress to address labor issues on both sides of the Hill.
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Next meeting date – The Commission will hold its next regular meeting on June 2, 2006. No agenda items were discussed.

VII. Adjournment.

The Commission adjourned its meeting at approximately 3:00PM.

Citizen Trade Policy Commission

Friday, June 2, 2006

Room 126, State House, Augusta

9:30 AM meeting of the subcommittees

10:30 PM meeting of the full Commission

Meeting Summary

Members present: Rep. John Patrick (co-chair), Sen. Kevin Raye, Sen. Bruce Bryant, Rep. Deborah Hutton, Rep. Rod Carr, Mary Ellen Johnston, Matt Schlobohm, Bjorn Claeson, Linda Pistner, Steve Franck (for Richard Coyle), Leslie Manning, Malcolm Burson, Paul Volckhausen, Cynthia Phinney, Mark Haggerty, and Peter Connell.

Members absent: Sen. Margaret Rotundo (co-chair), Barbara Van BURGEL

Staff present: Curtis Bentley, Legislative Analyst

I. Meeting of subcommittees prior to full commission meeting (9:30AM)

The Citizen Trade Policy Commission's three subcommittees – Healthcare, Natural Resources/Environment, and Labor/Economic Development – The subcommittees met to discuss "Rider C" of the assessment contract with the Forum on Democracy and Trade. The subcommittees presented an overview of their discussions to the full Commission at 10:30AM.

II. Presentation by Perry Newman, President, Atlantica Group

- Provided overview of what the Atlantica Group does to facilitate international trade.
- Majority of his clients are based abroad and are seeking to conduct business in the United States. He stated that because U.S. markets are so large and diverse U.S. businesses don't think about exporting their products and services despite the fact that only 5% of all consumers reside in the United States. India's middle class is larger than all U.S. classes combined.
- Because of technological advances, we now live in a world where goods, services and ideas move globally very quickly making a hyper-competitive global market.
- Mr. Newman emphasized that trying to slow the rate of imports through tariffs or taxes won't work because it will only lead to a stagnation of our economy. Businesses gravitate to countries where people can do jobs most efficiently – if make it too difficult to do businesses in this country people can and will go somewhere else. Additionally, as people become wealthier they demand more choices and protectionism limits those choices negatively impacting the economy.
- Mr. Newman is convinced that Maine must continue to increase its competitiveness in the global market.

III. Subcommittee reports to Commission.

- Subcommittees provided the following suggestions for modifications to “Rider C” of the 2006 assessment contract:
 - For general outputs from the assessment, add the acknowledgement of issues raised during public hearings and identify future issues that might arise in international trade;
 - The Labor/Economic Development subcommittee identified item “a” regarding procurement as a top priority for analytical analysis and item “b” Core labor rights as a priority for a future assessment. The subcommittee recommend the May 11th version of the Rider regarding procurement be substituted for the language provided by the Forum. The subcommittee also identified item “c” Current NAFTA/WTO disputes with Canada as a priority for a summary report and secondarily item “d” Foreign direct investment
 - The Natural Resources/Environmental subcommittee identified the farm bill as a top priority for an analytical assessment and a status update on Maine’s bottle water industry in relation to GATS and investment challenges. The subcommittee suggested that the “other topics” provisions are important areas for future assessment but not a priority for the 2006 assessment. The subcommittee identified item “e” Land use zoning as a priority for a summary report and secondarily item “d” Bulk storage of fuels.
 - The Health Care Subcommittee identified item “a” GATS and health insurance commitments as a top priority for analytical analysis. The subcommittee identified item “c” Re-importation of prescription drug as a priority for summary report but suggested the focus be on Maine’s preferred drug list and item “b” as a secondary priority for the summary report.
- Health Care subcommittee recommended that the Commission continue to encourage USTR to provide advisory reports or to define key terms in trade agreements especially with the Australian trade agreement
- Suggested that Commission send a letter to USTR to encourage more health professionals be appointed to USTR’s advisory committees and recommend that Sharon Treat be considered as a health care representative from Maine. Commission voted unanimously to accept this recommendation by the Health Care subcommittee.

IV. Discussion of “Rider C” with Peter Riggs, Forum on Democracy and Trade (Peter Riggs attended by speaker phone)

- Discussion of subcommittees proposed modifications to the draft of “Rider C” provided by the Forum. The Commission and Peter Riggs agreed to the changes and to accept the modified version of “Rider C.”

- Peter Riggs said the Forum's next step will be to set up teams to determine how to execute the contract and will contact the Commission if additional direction or clarification is needed.
- Staff will draft the final version of "Rider C," provide it to the Forum final review and then present the entire contract to the Executive Director for signature.

V. Linda Pistner's report on NAAG meeting

- Linda Pistner provided the Commission with her power point presentation by email prior to this meeting
- Provided an overview of the meeting and a brief discussion of the status of trade related challenges and surmised that the potential for challenges to local laws under trade agreements has a "chilling" effect because of litigation costs.
- In trade agreement disputes, the presumption seems to be that trade is good and more trade is better so a slight bias against government restrictions on trade.
- Attorney fees for states involved in trade related cases should be dealt with through the federal government.
- The United States only has six attorneys to defend all investment claims under chapter 11.

VI. Discussion of May 11th public hearing

- Suggested that put together requests from the public received at other public hearings into a summary for use by the Forum in conducting the assessment
- Commission should continue look for a way to efficiently educate the Legislature about trade related issue during the next session
- Add the "Concurrent Resolution" presented at the public hearing on the agenda for the Commission's next meeting

VII. Other topic discussed

Commission's web site– Suggested adding more educational material and links to other trade related web pages. Commission members will send suggestions for links to staff for circulation and approval of full Commission. Matt Schlobohm will provide staff with educational material. Concerns were expressed about providing links to other groups because no control over the content of other web sites.

Dr. Weiss' resignation/ absent members – Bjorn Claeson stated that Dr. Weiss would still like to be resource for the Commission. Commission agreed to send a letter of appreciation to Dr. Weiss. Commission directed staff to clarify the status of several members who have not attended meetings regularly and to check the progress of the appointment of new members. Steve Franck notified the Commission that Richard Coyle was stepping down as president of MITC and that the transition should not affect MITC's representation on the Commission. Mr. Franck will be MITC's contact person.

Update on status of meeting with MITC – MITC still intends to meet with the Commission but due to personnel changes it may not be possible until sometime in September. MITC requested that Commission put together a list of topics for the meeting. The Commission identified the following topics:

- Ombudsman
- SPOC
- How the two entities can work together on areas where their missions overlap
- What information is requested from the SPOC by USTR
- What is MITC's 5-10 year work plan

Funding to attend next NCSL meeting – Commission directed staff to send a request to the Presiding Officers for funding to attend the next NCSL meeting. The request should include funding for Sen. Bryant, Sen. Rotundo, Rep. Patrick and Rep. Hutton. Sharon Treat suggested that members should try to get on a panel at the meeting to help defray costs. The Commission directed staff to contact Peter Riggs about getting members on a NCSL panel.

Next meeting date – The Commission agreed to schedule the next meeting in mid-July on a date to be determined.

VIII. Adjournment.

The Commission adjourned its meeting at 1:00PM.

Citizen Trade Policy Commission

Friday, July 20, 2006

Room 126, State House, Augusta

9:30 AM meeting of the subcommittees

10:30 PM meeting of the full Commission

Meeting Summary

Members present: Sen. Margaret Rotundo (co-chair), Sen. Kevin Raye, Rep. John Patrick (co-chair), Rep. Rod Carr, Mary Ellen Johnston, Matt Schlobohm, Linda Pistner, Leslie Manning, Malcolm Burson, Cynthia Phinney, and Peter Connell.

Members absent: Sen. Bruce Bryant, Rep. Deborah Hutton, Barbara Van Burgel, Bjorn Claeson, Wade Merritt, Paul Volckhausen, Mark Haggerty and Robert Weiss.

Staff present: Curtis Bentley, Legislative Analyst; Alison Ames, Legislative Researcher

I. Meeting of subcommittees prior to full commission meeting (9:30AM)

- Only the Natural Resources/Environment subcommittee met and while it was a productive meeting it did not have anything to report back to the Commission at this time.

II. Telephone conference call with Peter Riggs (10:30AM)

- Identified three or four major tasks involving the subcommittees: 1) Agriculture- Where Maine stands regarding farm bill/WTO issues; 2) Labor –procurement question, the Forum still needs to do some work before talk to the Labor subcommittee about this issue; 3) Healthcare – Forum will spend time this fall looking at GATS and will ask for subcommittee support that time - sometime in December will convene a meeting to look at how subcommittee can provide input on healthcare; 4) Natural resources - Bill Warren is gathering information on the Poland Springs case. Will look at an update on risks from GATS and NAFTA investment provisions - a risk assessment on water/trade issues but could also do as a case study too. Matt Schlobohm suggested conducting the over-all risk assessment on water/trade issues facing Maine. The Commission and Peter Riggs agreed on that approach.
- Gave Commission an update on the working party on domestic relations. Stated that in June this party was moving towards issuing binding rules on GATS “no more burdensome than necessary” standard but USTR stood firm against this “necessity” test. However, the chairman’s notes provided a “national policy objectives” test that has also raised concerns with states. It has been suggested that this should be changed to “domestic policy objectives.” Suggested that the Commission may want to send a letter to its congressional delegation about its concerns with the “national policy

objectives” language. Sen. Raye moved that the Commission send a letter to Maine’s Congressional Delegation urging the language be changed from “national policy objectives” to “domestic policy objectives.” The motion was seconded by Rep. Carr and passed unanimously (8-0). Peter Riggs will send the Commission’s staff a more detailed letter regarding this language to aid in the drafting of the Commission’s letter.

- Peter stated that the Commission’s letters have had a positive impact on USTR and has prompted other states to voice concerns to USTR as well. The Commission’s letter on GATS to USTR was very important on a global level to turn back obtrusive language in the negotiations.
- Commission directed staff to send Peter Riggs an email with a list of Commission members that will be attending the NCSL meeting so Peter can help those members prepare for the NCSL meeting.
- The Forum may be hosting a national trade meeting in Washington, DC in October on trade and agriculture/farm bill and the Forum may want Maine to have a seat at the table. Currently, the meeting has not been approved but Peter will keep the Commission informed on its status.
- Rep. Carr suggested that the Commission send non-legislators to these types of meetings so that there is an institutional memory within the Commission because legislators have a limited “shelf life.”
- Sen. Rotundo asked Peter Riggs to work with Deb Bryd(sp?) regarding sustainable agriculture/development to see if there is a way to work together to amplify Maine’s voice on trade issues.
- Peter said the Forum is willing to be a press contact for some of the Commission’s activities.

III. NCSL meeting

- Rep. Patrick, Rep. Hutton and Curtis Bentley will attend the August NCSL meeting in Nashville. Rep. Patrick will be part of a panel discussion about labor and economic development issues and intends to give overview of what Maine is doing.
- Commission directed Rep. Patrick and staff to touch base with MITC (Wade Merritt) and the Governor’s office (Carla Black) to see if there is anything Rep. Patrick can bring forward at the meeting as a state

IV. Outreach and publicity.

- The Maine Department of Labor is going to follow laid off employees of a shoe factory who were laid off as a result of international trade issues. People see the displaced workers and empty buildings but don't necessarily tie it to trade. Suggested that the Commission help inform people that one person, one letter, one act can have an impact on international trade issues and spread the word about the significance of the Commission and the success it has had in influencing international trade negotiations and how those agreements are implemented on a local level. Suggested that a tri-fold brochure may be an effective way to communicate what the Commission is and what it has accomplished.
- Stated that the Commission needs to do a better job engaging small businesses and towns and of targeting the message to those who we intend to reach.
- Suggested that the Commission should send out a newsletter or article to trade journals, newspapers or other business publications; may want to include snippets of human stories vs. laws, etc. For public hearings should target in local weekly papers and make the press releases relevant to the local people.
- Suggested that the Commission should hold meetings or conferences with target groups to get the word out.
- Stated that the regularity of publicity is important so people know the Commission's work is on-going. Need to keep building the publicity up to the very day of the hearing through follow ups and continued press releases/articles.
- Stated that the human connection is the most important and effective at engaging the public; should generate a list of key people and businesses that have been hardest hit then get an intern or student to go out and interview those people and then tie them into the work of the Commission.
- Suggested that when selecting a public hearing location should select smaller areas that have been impacted by trade then work on chamber or Rotary of that area to get the word out.
- Suggested that public hearings be planned much further in advance of the hearing to give ample time for press releases and articles to appear in publications.
- Suggested that the Commission look to career centers and radio as outlets - drive time radio is very popular and public service announcements are fairly simple to produce.
- Suggested that the Commission send public hearing testimony to Maine's Congressional Delegation; people need to know there is a reason/purpose for the public hearings that something will be done with the information. Should use people's stories to get the congressional delegations attention.
- Suggested that since fast track reauthorization is coming up, the Commission should look to post-November outreach in terms of getting its story out because the media will be looking for a link to Maine; Maine Biz is a possibility and prior to the next

public hearing may want to contact the 207 Show to get someone from the Commission on that program.

- Legislative outreach – Try to get on legislative agendas sometime in early January. Commission created a “publicity subcommittee” (Sen. Rotundo, Leslie Manning, Linda Pistner and Mary Ellen Johnston). Sen. Rotundo will be the convener of the subcommittee and asked that if anyone has any suggestions for people to work with to e-mail Sen. Rotundo that information. Sen. Rotundo will check with colleges to find students willing to work on legislative outreach.
- Press member suggested (after meeting adjourned) that staff put out a specific meeting advisory notice to newspapers before each regular meeting and public hearing.

V. Trade Adjustment Assistance job loss data

- Maine Department of Labor is willing to provide quarterly reports to the Commission and DOL is willing to talk to the Commission about the assistance program after the first report is sent to the Commission.

VI. Potential speakers for FY 2006-07

- Kaye Wilke- Rep. Patrick will talk to her at NCSL meeting in August.
- Janine Carry (new executive director of MITC) – suggested the Commission wait to ask her to be a guest until she has been officially appointed and had time to settle into new position.
- Michael Shuman (economist/author “The Small-mart Revolution: How Local Businesses Are Beating the Global Competition”). He has an office in Bucksport and has done work in the Millinocket post plant closings; procurement is one of his areas of expertise. Commission agreed to invite Mr. Shuman as its second speaker and should try to find a time when he is already in Maine.
- David Clough (Maine Chamber Commerce) just to have conversation to engage the Chamber as partners.
- Jim McGregor (Maine Merchant Association) – invite him on same day as the David Clough.
- Susan Schwab (USTR) Commission directed staff to send her and invitation and also to ask Maine’s Congressional Delegation to follow up on our invitation.
- Alan Tolson – Trade deficit - Commission agreed to have this speaker first. Peter Connell agreed to approach Alan.

- Sanho Tree – (Institute for Policy Studies) – connection between trade agreements and the drug trafficking.
- Matt Schlobohm will research the most appropriate speaker on trade & water issues as they impact Maine and bring a suggestion back to the Commission's next meeting.

VII. Next regular meeting

- Commission agreed not to hold a meeting in August.
- Commission unanimously agreed to begin holding regular meetings starting in October on the first Friday of each month.
- Commission agreed to hold its next regular meeting on September 7th (Thursday) at 9:30AM for subcommittees and 10:30AM for the full Commission.
- Commission direct staff to ask Peter Riggs to send the August preliminary report of the assessment by email to Commission members and then the Commission will take it up during the September meeting along with NCSL reports.

VIII. Next public hearing

- Commission agreed to hold the next public hearing in Presque Isle, Aroostook County on November 30th (Thursday) at 6:00PM at City Hall. The Commission directed staff to secure permission to hold meeting at the Presque Isle City Hall.
- Commission agreed to hold a spring public hearing in Calais, Washington County, Maine.

IX. Annual report

- Suggested that report include success stories about the Commission's work.
- Staff advised the Commission that a draft report would be sent via email in the fall for their review.

X. Adjournment.

- The Commission adjourned its meeting at approximately 1:00PM.

Citizen Trade Policy Commission

Friday, September 18, 2006

Room 126, State House, Augusta

10:30 AM meeting of the subcommittees
(Labor and healthcare subcommittees did not meet)

12:30 PM meeting of the full Commission

Meeting Summary

Members present:, Sen. Margaret Rotundo (co-chair), Sen. Kevin Raye, Sen. Bruce Bryant, Rep. John Patrick (co-chair), Rep. Rod Carr, Mary Ellen Johnston, Matt Schlobohm, Linda Pistner, Leslie Manning, Robert Weiss, Paul Volckhausen and Peter Connell.

Members absent: Rep. Deborah Hutton, Barbara Van Burgel, Cynthia Phinney and Mark Haggerty.

Staff present: Curtis Bentley, Legislative Analyst; Alison Ames, Legislative Researcher

Recordings of the meeting: Martha Spiess has provided the Commission with audio cassettes of this meeting and a DVD of Mr. Melly's (Deputy Assistant USTR for Services) comments.

I. Report back from subcommittee's 10:30 meetings (12:30PM)

- Only Robert Weiss of the Healthcare subcommittee was able to attend so he joined the Natural Resources/Environment subcommittee meeting. The Labor subcommittee did not meet. The Natural Resources/Environment subcommittee discussed the progress of the annual assessment and generated a list of names for Peter Riggs to contact in conducting the assessment. The subcommittee formulated question for Christopher Melly and recommended that the Commission ask Mr. Melly about "Fast Track" reauthorization.

II. Christopher Melly, USTR (1:00PM)

- Mr. Melly joined USTR in 2003 and deals primarily with services ("anything you can't drop on your foot") in trade. He provided that USTR serves as a broker for trade and hosts interagency teams to work on trade policy issues. If staff cannot agree on an issue it gets elevated to more senior staff levels and eventually to the President who makes final decisions. Also, USTR has congressional oversight committees that review what USTR does with trade agreements.
- The formal process for communication with USTR is through the SPOC however, the best way to communicate with USTR is informally by conference call or by visiting the offices of USTR or inviting USTR to Maine.

- The overall purpose of GATS is to discourage discrimination in the global market place on services.
- Mr. Melly identified four modes of services and stated that USTR is focusing on services that are important to supporting the economy infra structure such as financial services, computer services and services related to energy.
- Doha negotiations had two tracks: 1) market access; and 2) exceptions - once include a sector then list the exceptions to that sector such as domestic regulations. Negotiations have stalled mainly due to agriculture but parties are mandated to go back and hold more rounds of negotiations. As of July there is no new text regarding potential rules. Mr. Melly stated that there won't be any movement one way or another this year but the U.S. is committed to the process and will continue to pursue efforts to get things started again but unlikely anything will start this year.
- USTR opposes any "necessity test" particularly across the board but may be willing to entertain a specific sector request if a preference came to USTR and wanted an assessment test, otherwise the U.S. opposed to it.
- In response of a question about why we should believe the services sector would fair any better than the manufacturing sector has under trade agreements, Mr. Melly stated that unlike the manufacturing sector, the US services sector is already open and competitive globally - we have very little to lose by negotiating with other countries and it will only make us more competitive.
- Mr. Melly stated that the objective behind trade agreements is to lower consumer costs because people want lower costs. Even though we lost some manufacturing jobs when the U.S. lowered its manufacturing related tariffs, the U.S. as a whole became more competitive globally. For example, when the textile trade was liberalized the price of clothes was cut in half as a result giving consumers more money to spend elsewhere; it creates efficiencies.
- In response to a question about striving for more balanced trade agreements, Mr. Melly stated that with regard to services, there is a very high level of commitment for more balanced agreements. Congress watches closely and holds USTR's feet to the fire give the trillions of dollars in foreign investment out there.
- In response to a question about the pressure timelines place on the USTR during negotiations, Mr. Melly responded that USTR has always been willing to walk away from negotiations regardless of any timelines.
- In response to a question about rate at which trade negotiation proceed with respect to a state's ability to respond in a timely manner, Mr. Melly said that services negotiations started back in 2000 so not that much is new. When reformulated agreements to expand agreement none of it was regulation of states - if a state is concerned about certain issues then can bring up. Mr. Melly stated that he thinks many interest groups made it all scarier than it really is.
- In response to a question about wages and environmental issues, Mr. Melly said that the labor and environmental side is challenging in the WTO because just one voice but have better luck with trade agreements. It is hard to get some countries to move on those issues; however, no matter what policy we have wages are very difficult to negotiate because of low wages around the world.

- In response to a question about USTR's refusal to honor Maine's request for GATTs carve outs even when USTR gave the Commission assurances that our concerns would be heard and honored, Mr. Melly stated that USTR heard Maine's concerns in the context of rules but didn't find them too compelling. To carve Maine out of the agreement at that time when no direct link to Maine was established would have caused serious problems. Congress obligated USTR to consult with states but we can't delegate the final decision to the states; the regulation of foreign trade is in the realm of the federal government. He further responded that when they do research during negotiations if they find a state has a policy on the books that is inconsistent with an agreement then they may provide care out. Procurement is a unique agreement and allows states and entities (U.S. Dept. of Defense) to opt out; no state has opted out of the agreement.
- In response to a request for clarification about the "burdensome test" language in the Colombian agreement that appears to be a contradiction to USTR's opposition to necessity tests, Mr. Melly responded that it was good someone was reading these agreements and that U.S./Columbia agreement was modified from the GATS since NAFTA and does contain the "burdensome test" language. However, the new US/Korean agreement has dropped that test. Korea wants the language back in and is considering whether or not to go on with the agreement anyway.
- In response to a question about a national standard for states on health care, Mr. Melly stated that only the ability to invest in and manage health institutions was offered; trade agreements don't set standards for care or licensing for health facilities. Limits at macro level to prevent discrimination such as nationality or numbers but stay away from standards at the national level for quality of care. Mr. Melly also said that there is language to move towards a generally recognized standard across nations but USTR has responded that the U.S. federal government does not have the competency to negotiate health standards and would direct a country to a state to work out standards.
- In response to a question about the existence of a public accessible U.S. policy on trade negotiations and where we could find the current language on transparency, Mr. Melly stated that USTR has not updated its proposals that are available to the public; there is no real text to work on at the moment and suggested that we periodically call him or Daniel Watson to ask what is going on. This response prompted a Commission member to quip that the enigma of trade agreements is clear when even the negotiations on transparency are secret.
- In response to a question about USTR giving states advice on how to deal with standards coming out, Mr. Melly responded that there should be more exchange on that but USTR tries not to have agreements that would require states to change. USTR tries to build in policy flexibility in trade agreements so states are not out of compliance. USTR does not want to ask a state to change a law or standard.
- In response to a question about how states can influence trade negotiations, Mr. Melly suggested we call USTR if we have any questions on trade issues or to get the latest information on trade negotiations.

III. Peter Riggs conference call about Tennessee NCSL meeting and preliminary assessment report

- Mr. Riggs (Executive Director, Forum on Democracy and Trade) had the following update about Christina Bliss's (USTR) testimony at the 2006 NCSL meeting in Nashville, Tennessee, the assessment and what is currently happening in the trade arena:
 - Christina Bliss said USTR still opposes any "necessity test" and that USTR is not willing to honor Maine's request for carve outs. USTR was unhappy about the chairman's notes that were released because the notes still contained the "necessity tests." The Working Party on Domestic Regulations is part of the Doha round so it was also suspended when the Doha negotiations were suspended.
 - Mr. Riggs provided an update on the progress of the assessment; the Forum's plans to be in Maine next week to meet with key people and asked Commission to help identify people he should talk to about assessment matters. The Forum will develop an advanced draft of the assessment for Commission members to look at later this fall.
 - Mr. Riggs informed the Commission that USTR is accountable to the executive branch so not subject to FOIA and because USTR is very close to the President other agencies give USTR's decisions a great deal of deference.
 - Regarding transparency negotiations, Mr. Riggs remarked that these negotiations don't have to be this way and that Canada may be a better model.
 - The next big event is fast track and may not want to frame the argument to approve or disapprove but to move beyond that and talk to Maine's Congressional Delegation about another mechanism or option to fast track. Maine could be the leader with regards to fast track.
 - If define service jobs as anything can do within 200 miles then 50% of U.S. jobs at risk for out-sourcing overseas.
 - USTR may be at a tipping point regarding state influence if more states follow suit with the Commission.

IV. Michael Shuman (Vice President for Enterprise Development for the Training & Development Corporation of Bucksport, Maine) provided the following information:

- Locally-based businesses are more valuable to a community than a national company because the local business will employ local people and families from the community for generations and is anchored to the area and therefore less likely to move rather than adopt new labor and environmental laws. Locally-based businesses have a higher economic multiplier - \$100 spent in national chain results in \$14 staying in the local community as opposed to \$45 for locally-based businesses. Local businesses spend more money locally, i.e. supplies, lawyers, local advertising.

- Mr. Shuman stated that USTR moving into the realm of procurement is a big mistake; procurement is an important tool for government entities to give local businesses a preference and the current model of trade runs counter to this preference.
- It is possible for Maine to move ahead with selective procurement without running into trade issues by requiring all bidders to provide a job estimate that shows how much money will be spent in the local area and use a multiplier to give that bidder a preference. To avoid a charge of this being a secret trade barrier, Maine's legislature could do a study that looks at the local economic advantages of using this multiplier method for state bids on policy grounds; not just to discriminate against foreign entities. This establishes a rational, objective reason for the methodology.
- Suggested that adding local small businesses in the 40% tax credit (the credit is for non-local banks) will produce a small-business revolution.
- Current trade regime has the economic picture wrong (driven by mobile, global capital), Mr. Shuman hypnotized that economic development comes indigenously – self-reliant with a strong export component. If focus on a diverse local business economy can produce more locally without relying on imports. Import stabilization is important to achieve for greater local benefit – need to stop importing goods and services that can be done within the local community.
- Maine's security laws need to be overhauled and Maine should focus more on the recruitment of small businesses.
- Mr. Shuman stated that he is willing to help in anyway he can.
- Mr. Shuman promised to put together his recommendations for the Commission in writing.

V. General discussion

- Leslie Manning reported that a recent Department of Labor report on jobs shows that while the service sector will increase the manufacturing sector will decline over next 8 years. Ms. Manning indicated that while trade has a short-term benefit in cheaper goods, in the long run it is proving to be devastating to Maine workers and a loss to Maine's over-all economy.
- Rep. Patrick provided a report back on the Nashville NCSL conference and stated that approximately 25 people gave him positive feedback on Maine's participation in NCSL and on the Commission's work.
- Commission asked staff to investigate whether or not there is a recording of the NCSL Trade Policy Leadership seminar and for Commission members to let chairs or staff know if they are interested in the seminar.
- Discussed Vermont's Commission on International Trade request to send someone from the Commission to its first meeting on September 28, 2006. Rep. Patrick hoped to be able to attend in person. It was agreed to that staff would attend by conference call if no one from the Commission could attend. Commission directed staff to express its excitement about the creation of Vermont's commission and that the Commission looked forward to working with them.

- Discussed dates available to have Alan Tonelson attend a Commission meeting and potential funding for his visit. No final decisions were made but members of the Commission are coordinating their efforts get Mr. Tonelson to Maine.
- Commission discussed FOA concerns regarding emails and conference calls.
- Commission directed staff to draft legislation for pulling in more staff resources from other agencies and to change the assessment schedule from annually to every two years.
- Discussed the 109th Congress House Concurrent Resolution that was presented at the Commission's last public hearing. Could use concurrent resolution as a template for a model trade agreement. Matt Schlobohm agreed to look into the status of the resolution.
- The Commission agreed to establish a subcommittee to stay abreast of fast track developments by January and directed staff to put it on the agenda for the next meeting.
- Sen. Rotundo stated that MITC now has a new director and the board is very interested in meeting with the Commission. Sen. Rotundo will continue to work with MITC to set up a meeting as soon as possible.
- Sen. Rotundo is continuing to look for students to help with Commission work.
- Commission member provided information on the Solidago Foundation that may be a source for outside funding for the Commission.

VI. Next regular meeting

- Commission decided to resume holding its monthly meeting on the first Friday of every month but directed staff to poll Commission members to see if a October meeting necessary.

VII. Adjournment.

- The Commission adjourned its meeting at approximately 4:30PM.

APPENDIX D

**Transcript of Christina Sevilla's testimony
Director for Intergovernmental Affairs and Public Liaison
Office of the United States Trade Representative**

Citizen Trade Commission
October 28, 2005

Transcript

Christina Sevilla
Office of the United States Trade Representative

Citizen Trade Policy Commission, and before we begin I thought we could - inaudible - I would start on my right with Rep. Patrick.

Good morning and welcome, Christine. I'm host chair, John Patrick, House District 92, Representative of the wonderful foot hills of the western mountains of Maine.

I'm Representative Deb Hutton from District 67 - inaudible.

Good morning, I'm Rod Carr. I'm State Representative of District 12. That's the Lincoln Lakes region. For those of you who don't know where the Lincoln Lakes region is, it's about 50 miles northeast of Bangor, northern Penobscot County.

I'm Cynthia Phinney and I work for the National ??? of Electrical Workers and I represent Labor ? Commission.

Good morning, I'm Mary Ellen Johnston and I'm the Maine Dept. of Agriculture representative on the Commission. I'm also the Director of Marketing, Production and Development for the State.

My name is ?????also representing the Dept. of Economic Community Development.

I'm Paul Volckhausen. I'm a farmer and represent small farmers on the commission.

I'm Peter Connell and I own Oxford Homes a market home manufacturer and I represent manufacturers employing 25 or more people.

I'm Matt Schlobohm, coordinator of Maine Fair Trade Campaign representing nonprofit ???fair trade policies.

I'm Bjorn Claeson with PICA ? service, the representative of human rights on the commission.

I'm Linda Pistner. I'm the Chief Deputy with the Attorney General's office.

I'm Senator Kevin Raye from Washington County, the eastern tip of Maine, along the Canadian border where our sunrise is first in the USA.

Would you welcome Christina. I want to go over what our format will be. This morning, first, I want to extend a particularly warm welcome to Linda Pistner who is joining us for the first time today. We will ??? that we all ??? Linda very, very well as a voice— inaudible — the Attorney General's office.

I just wanted to make just a few introductory remarks about the work the commission's been doing, our purpose and what we've done, why we were ?? forward to our meeting with you today and then we were going to make a brief presentation to us and we'll ?? some questions that we have that our commission members will be asking.

If there's time after that — inaudible — would like to deal with Alan Stearns who's the Governor's advisor ??? want to ask a few questions, if we do have time.

Inaudible. And we do welcome everyone this morning.

The Citizen Trade Policy Commission was established in 2004 by the Legislature to provide an ongoing state ? mechanism to assess the impact of international trade policies ? on Maine state and local ? business environment and working conditions. ? existence would help public hearings to solicit public testimony and recommendations to Maine citizens to qualified experts. We've invited a series of trade experts to be with us and help inform us. We've found ???4o focus on broad policy areas, environment, health care and ? economic development ? analysis. Establish working relationships with our congressional delegation of government. We've been eager to establish a good working relationship with ? which is why we were really looking forward to ? again this morning. This ? important beginning. Inaudible the consultation process and ? and we are certainly looking forward to working with you so that Maine can have a stronger voice in international trade decisions in the future. This is the beginning of a hopeful and helpful relationship, and with that, I will turn it over to you and we do use our mics so if you would be willing to turn your mic up????

Thank you, Senator Rotundo and Rep. Patrick and all of you for being here today. It's a pleasure for me to be back in Maine. I miss this part of the country. I lived for 10 years in Boston, going to school, so I feel very at home in New England and still have my down jackets. I would have worn my Timberlands to the meeting but I thought I'd look silly with a suit and Timberlands, but thanks for inviting me here today before the commission on the Bush administration's trade agenda, the president's trade agenda. I appreciate the invitation and the opportunity to outline our trade priorities and address some of the issues and concerns that you've raised with us. Just as a preface, I'm not the issues specialist in these particular areas. My ? in governmental affairs and liaison office so if you have very specific and technical questions, you know in the Q and A I'd be happy to have, you know, our folks follow up with you but just as a preview today I'll talk about 3 issues. First of all the overall case for trade, why it's essential for US economic growth and prosperity, for jobs, for lower prices for consumers and working families. Also, I'll directly address some of the trade issues of particular interest to states and the Maine commission such as government procurement, services and investment and I especially want to explain how trade agreements do not in any way preempt or invalidate federal, state or local laws. Finally, I'll spend a few minutes on how we consult with states in the formulation of US trade policy.

In terms of ? case for trade. The ? is around us but sometimes we need to be reminded how trade expands our economy, supports millions of good paying jobs in the US and benefits and ? families and consumers. Today the United States is the world's greatest trading nation, exporting more than 1 trillion dollars in goods and services in 2004. Just in the first half of 2005, US exports accounted for 30% of the overall growth in the US economy. US annual incomes are about a trillion dollars higher, or \$9,000 per household, due to the low line of trade barriers since WWII when the GAT? was founded, General Agreement on Tariffs and Trade. And if we succeed in eliminating global barriers to trade and goods and services in the next ????, we could ultimately increase annual incomes to the average US family of four by an estimated \$7,800 a year, according to a University of Michigan study. Even if we succeed in only lowering trade barriers by about a third, that would still be about \$2,500 per year per American family an increase in wealth and purchasing power. Trade also supports millions of jobs across the states. In fact, more than 12 million jobs in America are supported by exports. That's 1 in 5 factory jobs in the United States that's supported by trade and this is 3 million more than was supported by trade in 1990. These jobs pay 10-15% higher than the average wage and our exporters are not just the big companies. 65% of all US exporters are businesses with fewer than 20 employees. Consider the case of Maine. Maine exported globally in 2004 to over 160 foreign destinations. The state's largest marketing in 2004, by far, was ? member Canada with \$827 million with 34% of your state's exports. Canada was followed by Malaysia with \$338 million in Maine exports; Brazil \$262 million; Singapore \$234; and China is Maine's fifth largest export destination with \$112 million. Maine's exports to China have more than tripled since 2001, up from just \$34 million, so you can see that Maine's economy is very globalized. Maine's top export product categories are competitors in electronic products at \$675 million followed by paper products, transportation equipment, forestry and logging, machinery manufacturers, processed foods and chemical manufacturers. According to the Dept. of Commerce, approximately 1/7th of all manufacturing workers in Maine depend on exports for their jobs. The trade is not just about exports. An import tariff, tariff is just a fancy word for a tax, a hidden tax that falls disproportionately on the pocketbooks of working families. As a study by the Progressive Policy Institute points out, the hidden costs of US trade barriers and trade restrictions would hit a single, do hit single working mothers for example much harder than a company vice president. A single working mother probably loses 3 days pay a year to tariffs. Recent US trade agreements in the WT??? have cut these hidden import taxes and saved every working family in America as much as \$2,000 per year and never mentioned our newest agreements could add more to these savings. President Bush believes that American workers can compete effectively with anyone in the world when they have a level playing field. The US farms and workers face trade barriers of every stripe around the world. Many countries bought unmanufactured goods and farm products. They prevent our companies from offering services and they fail to prevent the theft of our innovative technology and ideas. When this administration took office in 2001, American was falling behind the rest of the world in pursuing trade agreements. Worldwide there were 150 regional free trade and customs arrangements but the United States was party to only 3. The ??? with Canada and Mexico and with ?? we signed with Israel in 1985. After we finished ?? in 1994 other countries raced to have negotiating free trade agreements while the US idled, so you had Mexico went forward with 8 more, the ??? signed to have some free but were most of them came into effect in the mid-1990's while the US idled and stayed behind this put our workers and manufacturers at a great disadvantage because the world won't choose to wait if America sits on the sidelines

and seeks the market for these competitors. If you just consider one example, a Caterpillar grader made in Illinois being sold into Chile would face a \$15,000 (? or \$16,000) tariff, have a tax being paid sold into that country where as if the exact same manufacturing equipment is made in Brazil it would face a \$3,000 tariff because of their agreement with Chile or if Canada were selling the exact same product to Chile they'd pay no tariff because of the free trade agreement. That's just an example of how US products and the worker and the workers that make those products become disadvantaged when other countries have preferential access that our country does not. So we responded aggressively. This administration has achieved over \$6.4 billion in tariff reduction commitments from our partners, such as \$6.4 billion cost disadvantage that were we're allieving off the backs of our friends and workers. The US has already seen significant export growth with the 4 FTAs, free trading agreements we've implemented since June 2001: exports to Jordan \$213 million or 63%. We did sign a free trade agreement with Chile went into effect in 2004 and now we see our exports are up \$891 million or 33%; there're up \$3 billion to Singapore and \$1 billion to Australia which was billed by manufacturing as a significant manufacturing agreement. These exports to our FTA countries, our FTA partners are up 21% annually as compared to a 10% growth rate for the rest of the world. Consider the recently passed US-Central America-Dominion Republic trade agreement. People frequently don't realize this about Central America but at 15 billion our exports provide Central American countries in the DR are bigger than our exports to Russia, India and Indonesia combined. The capital will result in an estimated \$1 billion in additional US manufactured exports, according to the National Association of Manufacturers, and could expand US farm exports by \$1.5 billion a year. That's according to the American Farm Bureau. Although we're continuing to negotiate new agreements with countries and Latin America, Africa, the Middle East and Southeast Asia, but there is more work to do because the playing field isn't level in many countries. That's why President Bush has made the latest WTO round of negotiations the ??? round a top priority as he declared to the U.N. General Assembly in September. Our average US import tariff, on manufactured gross is only about 3% for all ? open economy have been for decades, but the average in countries like Egypt, India, Argentina and Brazil around the world is closer to 30%, so our people are paying a 30% tax to sell ? those markets. Foreign agriculture, the United States is already one of the most open markets with an average agricultural tariff of about 12% versus the global level of tariffs of about 62%. Again, a very unlevel playing field. I consider that 90% of developing country agricultural imports already ? to this country. So we're really negotiating free trade agreements to level the playing field and make it fair for our foreigners and our businesses and workers. With 1 in 3 acres in America planted for export it's essential for our farming communities' vitality to open those markets abroad. All of us sitting around the table can't eat much more food than we already do so we need to sell to open markets abroad, basically the US's 5% of the world's population, 95% of the world's customers are outside of our borders. Consider services, the US has a \$48 billion surplus in 2004 on exports, services exports of \$240 billion and US exports of services have doubled over the past 10 years. Services account for three-quarters of our GEP and 8 out of 10 jobs in the US and these are good paying jobs. Services are doctors, lawyers and teachers and engineers and financial analysts and environmental services provider and architects and you know, you name it. US services markets typically are already open to compensation from foreign services funds or an open a free market but that openness is often not reciprocated abroad. In this negotiating round in WTO under the (? gas) we're seeking to open more of those markets for American workers and companies in areas such as financial services, insurance, express delivery,

retailing and others. But free trade also has important moral foreign policy and security implications. As President Bush remarked to the UN trade is "key to overcoming poverty in the world's poorest nations It's essential we promote prosperity and opportunity for all nations and by expanding trade we spread hope and opportunity to the corners of the world and we strike a blow against the terrorists who feed on anger and resentment." According to the World Bank, global free trade could lift more than 300 million people around the world out of poverty. That's more than the population of the entire United States. The Bank goes on to say that almost 2/3 of the income gains from world-wide elimination of barrier to trade and goods reaches Africa and other developing countries. Other studies estimate that a WTO agreement would offer hope, opportunity and a pathway out of poverty for as many as 500 million people around the world. Trade agreements are when the single most powerfully effective tools that we have for raising people out of poverty both historically since WWII, hundreds of millions of people lifted out of poverty and perspective as well. Clearly trade brings benefits to our country and to other countries and people around the world, but I know there are issues you want to know more about. We've heard your questions and concerns about how our trade agreements effect state government procurement and how services and investment ? trade agreements effect state regulatory powers.

Let me begin with a general statement about trade agreements do and don't do. Trade agreements are about fairness, not about regulation. They generally say that the rules are standards imposed by governments should not discriminate between the US and foreign providers of goods and services. Trade agreements do not restrict a state's right to regulate. They do not automatically preempt, invalidate or overturn state laws. Nothing in any trade agreement prevents states, or any state, from enacting, modifying, or fully enforcing domestic laws related to consumer, health, the environment, safety, or international panels set up to look at disputes over trade agreements, have no authority to change US law or to require any state or local government to change its laws or decisions. Only the federal or state governments in the United States can change a federal or state law.

Government procurement. Over the past year, for example, there's been an extensive debate on how trade agreements effect state government procurement practices. ???not sure??? asks state governments if they are willing to give fair, non-discriminatory treatment to foreign suppliers of goods and services is simple. We're seeking such fair treatment for US suppliers to sell products and services to foreign governments. Government procurement can account for about 5- 15% of a foreign country's GEP. The decision on whether to offer fair treatment to foreign suppliers by state's is voluntary and made by each individual state. But, as I said, most states are already open and have very open and competitive procurement practices already, don't have to change any of their existing practices. So, for example, in the early 1990's, some 37 states chose to extend non-discriminatory treatment to our WTO trade partners under the WTO agreement on government procurement. More recently we sent letters to state governors asking whether they would like to offer that same exact treatment are already open to 37 countries under the WTO government procurement agreement to new partners under various free trade agreements that we've negotiated. Generally, half of the states have chosen to do so and have to change by and large their existing practices in order to sign on but it's helping us to open foreign government procurement markets for US firms. Again, this is a situation where the United States is already open, the States already practice open and competitive practices because that is for, you know, it's good for taxpayers to have

competition, it's good in the time of State budget crunches to have open bidding procedures. It's also good government practice. You want to have, encourage an open and fair and transparent bidding process for letting government contracts. These are the types of practices we're trying to encourage in other countries abroad who don't have these good ? practices that the US has who are very non-transparent, who you know, have single ? better practices, or you know, corrupt or ? sick type of practices. So what the government procurement agreements are also about encouraging anti-corruption measures in foreign government and that procurement which is 5-15% of a countries GET is a big way to do that and at the same time open fair opportunities for our firms and workers because we're already open. For the new trade agreements that we're negotiating now, Panama and the ? countries, we made it clear that if a state chooses to allow nondiscriminatory access to foreign suppliers, which most states already do, then that state's suppliers will directly benefit and be assured of access to the sub-central procurement of the trading partner. In this approach we went from a state's ???? practices that more than 30 states already apply to their sister states, so if the US state is bidding is open bid from another state they practice reciprocal openness and we're simply trying to take that lesson and apply it to the sub-central procurement entities of foreign countries.

There have been a lot of questions about what it means to cover state procurement under trade agreements. We've tried to make clear that the decision to cover procurement, government procurement, is voluntary. More importantly, states have total discretion to exclude sensitive goods and services, preference programs for small and minority businesses, and environmentally friendly procurement and only very large state purchases, more than about 1/2 million dollars for goods, and nearly \$7 million for services are covered. So, it's voluntary. States choose which entity to cover, they can exclude whatever they want from the coverage if it's sensitive, small business, minorities, construction, ? steel, motor vehicles. Different states have chosen different things that they've wanted to exclude from coverage. That's all fine. I ??? that the state legislatures face many pressures to restrict state procurement and that decision properly rests with all of you, but I urge you to consider carefully the implications such legislation may have from suppliers from your state or other states in the US in bidding on foreign procurement. Basically, if we close our markets to foreign suppliers other countries will close their markets to US suppliers and then nobody wins.

Investment. Investment rules are another area we've heard your concerns. Millions of Americans have invested their personal wealth in the global economy. For investments here at home, our US legal system affords them access to fair and transparent rules to protect those investments from arbitrary government action. But when Americans invest abroad, there are often disadvantaged because foreign legal systems don't provide the same protections as our system. That's why we include investment rules in trade agreements. We're trying to level the playing field by requiring fair and transparent arbitration procedures when a foreign government takes property or discriminates against an investment. Some say that including these rules in trade agreements could jeopardize the right of state and local governments to enforce laws and regulations. That's simply not correct. Under our trade agreements foreign investors in the United States get substantive rights that correspond closely to rights already available to US investors under domestic law; no more and no less. More importantly, nothing in any trade or investment agreement allows a foreign investor to interfere with a government's right to regulate. An investor cannot stop regulatory action

through arbitration. Neither can an investor ? to win a case against the United States, require that a particular law or regulatory action be repealed. These investment agreements simply say for example that if a government takes a foreign investor's property, it must compensate them through money damages and these damages are only in that event be against the US government not against a particular state. There's been a lot written about these provisions but it's important to remember that in decades of such provisions we've had bilateral investment tradings for decades, since the 1960's, ? under NAFTA many agreements and treaties ? negotiated through the state department. In decades of these investment treaties, the US has never lost a single arbitration case or ever paid a single cent to any private investor to settle such a case.

Services. Another area where you've raised concerns to us is in the ? of services. As I've said the United States is the world's leading exporter of services which account for about 3/4 of our GEP and 8 out of every 10 jobs in the US. International markets generate huge opportunities to US service providers and they've got nearly one third of our exports. Again, our US market is one of the most open in the world but foreign markets are often closed to US service providers through discriminatory policies and barriers, so we seek to open markets through trade agreements such as the WPO general agreement on trade and services, or GATS. What GATS can do is create important new opportunities for US providers of services like banking, telecommunications, insurance, express delivery, retail, retailing professional services and so forth, new opportunities and new markets. What GATS does not do is over rule the state's ability to regulate or force the private evasion or deregulation of state regulated services period. The text of GATS clearly respects the sovereign right of WTO members to regulate services and to introduce new regulations as necessary. Many service industries are carefully regulated in the public interests and we recognize that in many instances this is carried out at the state level. Nothing in the GATS will impair the ability of states to establish or enforce domestic laws protecting consumers, health, safety and the environment. GATS in no way forces deregulation or privatization of any public service. Nondiscrimination in services is not the same thing as requiring deregulation or privatization. Like any trade agreement GATs simply says that if a state simply chooses to allow private competition already in services, it should give US and foreign firms a fair shake and a chance to compete on equal footing, and GATS asks for fairness and regulation not deregulation. It says regulatory policy should be administered in a reasonable and impartial manner. Nor does GATS force privatization of any sector. In fact, the GATS expressly recognizes the authority of governments to supply services and to maintain public monopolies in any service sector they designate. In the GATs negotiations our trading partners have made many requests from us. Some of you may be concerned that such requests would preempt areas of state regulatory authority but requesting something doesn't mean it's going to happen. If a trading partner asks us to seek changes in a particular state law we consult with you about the law and discuss it, but if such a change is not possible, we simply respond to our trading partners that the United States is unable to remove that limitation at this time. The bottom line is that nothing that the US is offering in these negotiations would require the states to make any change in their laws or regulations that they have not already adopted or agreed to adopt.

Consulting with the states. All the areas I've discussed today can be complex and involve important areas of domestic public policy and that's why our policy is to consult closely with states on international trade agreements. There are substantial complexities in our system in

coordinating executive trade branch policy with 50 states plus Puerto Rico and the District of Columbia, each with varying laws, interests, governmental structures, and methods of developing its positions on trade matters. As a result we depend on the Congressionally-approved single point of contact procedure to provide the administration with coordinated state views and concerns and comments on major executive branch trade policy initiatives, such as the GATS negotiations. Under that procedure each state develops its trade views using the procedures of its choosing and speaks to ? with a single voice through the contact point designated by the Governor's office. We strongly encourage governors to consult with all branches of government and other state ? stakeholders and throughout the state but we don't precharge with what that process should be. We strongly encourage states to have this dialog and we also want to have opportunities for a dialog with a legislator whose officials associations through opportunities such as this, so to answer any questions you may have and so I welcome your invitation to that. We also consult with statutory advisory committees. We have a state and local advisory committee called ?? Policy Advisory Committee which has state and local officials, regulators and associated ? in all 3 branches of state government as well as cities and counties. We have 26 other statutory advisory committees that we also consult with. We consult with the Congress intimately and on-going basis, our Congressional committees of jurisdiction, a Congressional oversight group, relevant agriculture or other committees in Congress. We also solicit the views of all domestic stakeholders and public via federal register notices which are issued tons of times throughout the year, and periodic public hearings as well. So there are varying, many different channels to provide input and we listen to and consult with a very, very broad variety of US domestic stakeholders.

In conclusion, trade agreements help grow our economy, they support good jobs and they lower prices for consumers and working families. More than 50 years since WWII through Republican and Democratic administrations there's been a consistency of policy and that is, the United States has sought to level the playing field by opening foreign markets through trade agreements. As our economy has grown more complex and sophisticated so have the trade agreements but in every agreement we negotiate the United States remains very sensitive to and protective of our federal system of shared power. We ? to cooperate with state governments because we all share the goal of economic growth and opportunity. We bring home trade agreements that accomplish that goal without impeding on state's sovereign rights, regulations or laws and with your help we'll continue to build our strength and leadership of the world economy.

Thank you very much for your presentation. As you know we have some questions for you. The Commission has 7/several questions and different commission members will be asking ?? and because of time I will allow for commission members to ask ?????? questions only after ??????

Thank you very much for being here – inaudible – appreciate very much. I wanted to ask you about the ? about the Commission's sense to ? in response to your memo asking for states to comment on the pending on the new resolve vs ? service sector by committee ??? In that letter the Commission announced that ?? be carved out from the Maine ? be carved out of the offer until we've had a chance to ? the language of the new commitment so we can see what they actually do mean for a regulatory ? Because we have some concerns that the GATS contains rules that appear to conflict with our ability to regulate in a public interest. I

appreciate what you've just been telling us that trade agreements do not automatically invalidate any state or local law; I mean that we may want to enact in order to regulate in a public interest. I think that it concerned more on the threat the challenge of substantive laws that because they are in conflict with the GATS rules and about threat ? to a chilling effect for local lawmakers to regulate ? public interest. For example, the recent WTO ruling of the ? case that indicates that possible Maine's ? statutes may ? GATS market access commitments in ? that the US ???? inadvertently 1994. So anyway, we never received a response to those requests but were told informally that Maine's requests was not honored because it was untimely and it didn't come from the Governor's office. However, in view of the offer that the United States submitted on May 31st states the United States reserves the right to withdraw, modify or reduce this offer in whole or in part at any time prior to the conclusion of the negotiations. Furthermore, the offer states that it is conditional upon securing meaningful new commitments from other WTO members and it appears that the GATS negotiations have not advanced significantly since this admission of the US offer so that amending the US offer -inaudible- of Maine's ? governmental actions seems to be a straight forward process if it's not, explain why it's not. So our question is how Maine can work with your office to withdraw service sectors with ??? perhaps ? in previous rounds but ?? focus on this pending round if we have major concerns about the potential future impacts on our ability to regulate.

Well, we will be responding in writing to your question, but just as a general matter, you know the GATS has been enforced for over 10 years and has proven fully compatible with state regulatory authority. We negotiated specific exceptions for ? measures that don't conform to agreements ? rules. We excluded some services sectors from the agreement's obligations and the agreement's ? exceptions for vital public policy measures which already exist such as those safe guarding animal plant, human health, public morals and so forth. So, all of these exceptions are already in the GATS and already protect the right of states and fully acknowledge the states to regulate in the public interests as they see fit to fully enforce state and local laws. Just because a GATS, just because a services sector's covered in the GATS does not mean that you can't regulate it. You could regulate it to the hilt, you could regulate it as much as you like but the idea , it's just foreign service providers are subject to the exact same regulations and requirements and procedures that domestic services providers are also subject to. So it does not obviate in any way state's right to regulate and pass laws in the public interests because of the offers the US made in 1994 were already quite expansive our existing GATS commitments which we've said in the past 10 years have shown to be fully compatible with state regulatory authority. Our current offer only makes minor modifications and frankly we didn't ask states to change any of their existing laws or regulations in place in order to make this offer. Basically, many states have already untaken, some kind of autonomous liberalization, and we can sort of use that as leverage in negotiation to try to open foreign markets to US service providers and US workers that are not currently open, because our market is already very open. So, I think in the case of Maine it was one very small conflict, only thing that made a change was in the area of insurance, a surplus line broker commitment to not applying in-state residency for line brokers and insurance and our folks spoke with the National Association of Insurance Commissioners and the Maine representatives on that have generated some information from Maine and this is an action Maine had already independently taken and so we said ok, you know that's great, but we didn't ask Maine or any state for that matter to change any of its existing laws or regulations for this US offer. So, we don't see the need to change US GATS commitments at this time.

As you know, it's an ongoing negotiation and we would require other countries to have meaningful services market opening and commitments and you know we're pleased to have a dialog about that but we wouldn't ask for any changes in existing state laws or regulations whatsoever under this offer.

Bjorn – inaudible – I think the question is more about our working relationship in the future. Because it appears that Maine wasn't carved out of the latest offer and it appears that our request was not honored, we essentially want to know how we should communicate with you in the future to ensure ??requests are.

Well as I said, you know we have pursuant to you know the legislation statements of their administration action, Congressionally approved procedure for a single state points of contact where the Governor's office in each state designates a single point of contact to receive information from US ? to seminate as its throughout the state coordinate official state positions and provide input to US ?. I mean we're a tiny agency. We have 50 states and legislatures and a ? governors, and attorney ? and so forth and we don't want to prejudge whatever the process is for internal state consultations. That's up to each state to handle as it sees fit. We would not presume to interfere in that process whatsoever so we work through as an executive branch agency. We work through the Governor's office in the state single point of contact system for all the states but at the same time we're also happy to have dialog, answer questions and engage in these types of discussions but states generally speak to us with a single voice.

Specifically on the GATs request, ? the letter came from the commission and to carve Maine out Maine's spot and single point of contact, Richard Coyle, is a member of the commission so ? included the ? and came from the ? in essence on the GATs, so it would be helpful for us if we could have some clarification around ? Maine asked to taken off and carved out so we had more time we needed more information to truly analyze what the implications were and that came from the ? and you had to request what ?. So if we want to continue and move forward with having Maine carved out how would we go about doing that?

Well, through the Governor's office we're happy to have an ongoing dialog about that but we wanted to sort of clarify here that what we're ? changes that have been requested of Maine laws or regulations and that the United States receives substantial benefits and Maine citizens receives substantial benefits from being able to open markets abroad so for actions that are already existing in this state the GATs has been shown to be fully compatible with state regulatory authority so your ability to pass and force and maintain state laws is fully preserved and wanted to emphasize that point. Our ? process is we expect the Governor's office on behalf of the state to coordinate state views and let us know, but again, it's an ongoing negotiation and we're happy to have a dialog about these things.

Thank you. Senator Raye. Thank you Senator Rotundo. Thank you for being here ? this is certainly useful dialog for us and I hope for you as well. One of the areas that we have looked at and there are a great deal of concern – inaudible – of the commission ? as well revolves around the consultation process employed by USTR. It's my understanding, and you can correct me if I'm wrong, that information is not shared with stakeholders during trade negotiations due to the privacy, there's sort of, these are my words, there's a shroud of

secrecy over negotiations that some of us find troubling and I'm wondering how often do negotiators consult with parties outside of USTR? Whom do they consult with, and I know you covered that briefly in your opening remarks, but if you could offer some clarification, additional information who they consult with, particularly with respect to the industry-specific issues.

Sure. We consult frequently and all the time with a wide variety of stakeholders, you know Congress being probably number one, our Congressional committees of Jurisdiction, Senate Finance and House Ways and Means, there's a Congressional oversight group, there's various Congressional committees which take an interest in trade agreements, so I – inaudible- going up constantly to the hill to consult with Congress we issue federal register notices seeking broad public opinion from any domestic stakeholder on the content of our negotiating objectives for trade agreements, the impact, these federal register notices are issued at the beginning of every free trade agreement negotiation, at public hearings that are held in Washington, at the initiation of a free trade agreement, called TPSC hearings (Trade Policy Staff Committee hearings) where an ? agency panel of government officials will be there for a day or two or three or however long it takes to hear written and oral testimony from any interested person and the public which wishes to provide this information. These written and oral comments are available to the public as they are public comments. We frequently receive letters, we have these statutory private sector and trade advisory committees which are created by Congress pursuant to the Trade Act of 1974, as amended, created a three tier private sector and advisory committee system which includes industry, agriculture, labor, environment, state and local government, a wide variety of stakeholders. The trade advisory committee members have to obtain security clearance because these are negotiating documents that are confidential, but frankly, the complete agreement of the WTO and the GATs and all of these agreements that have been negotiated are public, are online on the Web. All of our existing free trade agreements that we have, whether it's ?, Australia or Chile or Central America or other of these free trade agreements, chapter by chapter are available online on our website. The text of new free trade agreements that we negotiate are pretty darn similar to the ones that already exist, we're not reinventing the wheel each time, so these are available online on our website, completely available to the public to see what the content of these trade agreements are so nothing, and when new trade agreements are signed, these are made public on our website prior to Congressional deliberation and debate, so that any citizen can become informed about the content of these trade agreements and contact their congressman or representative about their feelings on this. Existing trade agreements, new trade agreements, the whole text is up there on the web for anyone to view.

Thank you. Just for clarification. When you're talking about this information being available, are you talking about after the fact, after it's negotiated, after the ? process prior to ? Congressional approval or application, after the negotiations have ceased?

That's correct. For example, the standing agreements now of the WTO which are fully at force, are fully available at public on the Web and new free trade agreements that the United States is negotiating, I don't really think there's no surprise in terms of things that are being negotiated in secret because you can see the text of all the ones we've done with Australia or Singapore or Chile or Morocco are going to be very similar to the ones we're negotiating now with Thailand, or the one we just finished with ?, the content is very similar, the chapters and

the text are very similar from agreement to agreement so you can see these up on the Web, you can see advisory committee reports evaluating through these FTAs, part of the Trade Act of 2002 by Congress, is that all the advisory committees, at the conclusion of a free trade agreement, have to write a report on sort of the various, you know whether they perceive it's in the benefit of the national interests or that particular industry or agricultural sector. All of those reports are sent to the President and to the Congress and they're also made available on our website as well.

Inaudible

? clarification. I wonder what your advice to us would be in terms of how we can insert ourselves into the process at an earlier stage, how we can really have input on what the outcome of the actual substance of these agreements looks like. One of our concerns, you know we have a number of concerns about what's actually in the agreements themselves, whether it's investor state, pharmaceutical provisions or measures around labor and environmental standards. There's a number of concerns that one of the challenges we've felt and sure tried to grapple with how do we wrestle with is sort of what Senator Raye was getting at is that it seems as if the negotiations start the text isn't available until negotiations conclude, the advisory committees that are set up are sworn to secrecy and can't share that information so ? couldn't tell us this is what the invested (?) chapter of the ? agreement looks like ? do you have any concerns. Then the agreement is signed and at the point can't be changed and then it's only then that the advisory committees release those reports and so how do we really have a voice, how do we really get input before the bus has left the station in essence, so that we can address some of our concerns with the substance of the agreement at a point where they could still be changed –inaudible.

Yeah. I think what I said goes somewhat toward addressing that, in other words, is not a secret what is in the agreements because all of the texts are fairly similar and they are already up on the Web so if you wanted to see what an investor state chapter of agreement looks like you have 10 examples of pretty similar language of how it's going to look and at the initiation of a free trade agreement negotiation, between the United States and another country, you know, there's a notification, there's a federal register notice soliciting broad public comment, there's a public hearing that where you can submit oral or in person written testimony, so all of those are either, it's very public in that regard. The content is pretty public and what we seek to achieve, our negotiating objectives are also determined by statute. The Trade Act of 2002 by Congress, set out for US negotiators for the United States what objectives are to be achieved in trade agreements with respect to goods and services, and agriculture and intellectual property rights, and you name it, so we, and investor states, so when we seek these trade agreements we're implementing the law and we're following the directive of Congress, so you can look at the Trade Act of 2002 to see what Congress has told us to seek in these agreements with a fair and specific set of negotiating objectives and you know, because we consult with Congress so frequently in addition to other domestic stakeholders, so that the process, you know they make sure that we're fulfilling the intent of the law when we do that.

Senator Raye has one final question. Thank you, Senator. Christina, who, you mentioned the public hearings that are held in Washington. Who actually hears the public comment – are they principles at the negotiating table, in other words, are they getting the comment from

varying public stakeholders and then having the benefit of that as they go back to the negotiating table ? those people specifically?

Yes sir. Those are the negotiators. Those are either their bosses or the line negotiators. Those comments that come into the federal register notice are –inaudible- there's ? a contact person in the policy coordination that goes directly to the negotiator. These things are then left in binders with the tabs and highlighted and every view is read when negotiating instructions and papers are prepared internally. You know, there's always the summary of the public views that have been received on this matter so those comments do go to the negotiators.

And these hearings come early on in the process so that they have the benefit of this input –

At the beginning of the process, at the initiation of negotiations.

The next question is from Rep. Hutton. Thank you, Senator and welcome Christina. Thank you for being here as we do appreciate the fact that you've taken time to come. My question is ? clarifying question for what we've set up here I think. Does the US ? ever issue interpretations of the trade agreements whether they're formal or informal, and where are they published if they do and I would also like to add something to this, when are they usually published if you do offer them?

I don't believe we issue interpretations of the agreements. I mean they are the legal text and then if there is a dispute settlement you know the US is part of the dispute settlement either as a complaining party or defending party and/in the WTO or NAFTA and I don't believe there's been any dispute settlement under free trade agreement. You know we will file our briefs and those are sort of like our interpretation, like we're related to a specific case that is being brought –inaudible- or if we're the defending party and those are available to the public. We file those but so our interpretations I guess would come about in a sense of like specific litigation either as a complainant or a defendant in a case. For example, the WTO even invited anyone, we know we invite other countries to make their litigation with us public and we put our, we file, our briefs online so that people can see what it is we're arguing.

The next question will come from Mary Ellen Johnston. Thank you, Senator. This is another question, same kind of question, in the terms of the communications process with the USTR. We have attempted, I think unsuccessfully, to –inaudible- maybe today you can help us get an answer. Is there actually a specific staff person and who might that be, who would be assigned to work with states or with organizations. For instance ? if they have other ? or if they are allowed to communicate directly with states on questions, sort of pre-negotiation or before these trade agreements are signed? Inaudible

Let me just explain something about USTR. We're a tiny agency of about 250 people, part of the White House, we've been around since about 1963. Congress has kept us really small so that would be like me and my boss and maybe a couple of other people in the agency who are line response so when service is questioned, you know you've dealt with Charlie Hooker or his boss, Christy Bliss or you know me, I coordinate with the 50 states and for the private sector and all of that as does my boss for procurement you know, I think ? Allen or something

the Governor's office has had extensive emails with ? I mean, that's it, just her. I mean we're pretty small, pretty small. So we do our best and that's why we really do have to rely on the single point of contact system when we have many, many, many requests and inquiries and you know types of things our negotiators are negotiating those agreements but they also want to be as responsive as possible to domestic stakeholders to states to Congress to the private sector etc. so we try to do our best and we apologize, sometimes we're not as quick as we could be but we've got a lot of input so we, I think Congress recognized the complexities that would be involved and so created, tried to ? some kind of streamlined process for us, for us to work with and so you know I'm happy to out to Augusta, pretty out here.

Is there a ? person who staff is assigned to impact – inaudible

Well, like I said, I'm sort of the liaison as is my boss as are the other people in the agency who respond so I'm not going to be able to walk all through all the specifics of the agreement with you the way a person who does procurement does, the person who does services, you know, but we coordinate and liaison and so forth.

Rep. Patrick. Good morning, Christina and thank you once again for being here –inaudible. Even with the positive result of the recent ? case in California, the states are concerned that future ? disputes will threaten state sovereignty. Inaudible such as that future disputes will be stopped before they start.

Thank you, Rep. Patrick. ? case was a major victory for the United States, something you know that there's been a lot of attention to the California, ?, basically the tribunal threw the case out on the jurisdictional issues and threw the case out on the merits and on top of that, ordered ? to pay the US government \$4 million in costs for attorneys fees and litigation and so forth, so we think this is a huge validation as we said all along that states should be able to and are able to, regulate as they see fit in the public interest to protect the environment and so forth and that the tribunal completely sided with the United States that this was a completely unmerited case. As in the domestic litigation sphere, we cannot stop private parties from filing frivolous cases. This occurs all the time in domestic courts, I guess for those of you who are lawyers, people file cases; that's the system, but we think under the Trade Act of 2002, that there have been a number of improvements to the investor state mechanism to weed out these types of frivolous claims to ensure expeditious selection of panel members to make all of the proceedings open to the public to allow and make ? its admissions and submissions from interested third parties, so again, decades of jurisprudence in this area and against state department ? the lead litigator on these investor state dispute settlement cases have not resulted in a single loss ? for the United States or a single dime paid out to any investor and in this case they smacked them around a little harder and said you, investor, pay the US government \$4 million for wasting our time, like we said you've been wasting our time. So, we feel that there's protections are in place there.

I just wanted to check to see if Rep. Patrick had follow up first. No, I'm fine.

Rep. Hutton. Since we were –inaudible- from being filed I think one of my concerns as a state legislator is the cost to the state when these cases are brought forward, even though they're suing the United States government. California spent millions defending their state

law and in trying to protect their state law. And, from what I understand, not the state really – inaudible- really got no compensation for the money that they had to spend because it was a case against the United States and there was no settlement for California. How can we in the future protect our state laws and protect what little money we've got from our tax dollars from being spent on these cases? I really have a concern that you know we can make a state law and all of a sudden we're turning around and this case filed in the United States court and we have to find a way to defend ourselves.

I can't speak to whatever costs, I don't know what California spent for money. I guess that there litigation occurs in the domestic sphere as well all the time for whatever reason and that you know we when it comes to international litigation it's the United States and the state department that is on the ? for defending the US and providing all of the legal defense. Of course we consult closely with the states as we would want to in such a case it's best to obtain all the information possible in mounting the best defense so if there is ever a case that comes up we of course would contact the state and do contact the state to work as closely with them as possible to obtain the information necessary to mount the defense. I'm sorry, I don't know what this situation was with California's cost, but the costs of litigation are federal in this instance.

The cost was in the millions so it wasn't an insignificant amount and I'm not sure but I do remember communicating with the people in California as to the costs to their state, so it has a burden on the state.

Next question. Yes, -inaudible- Sen. Bryant. Thanks for coming. I just want to clarify so why not take the end result of that ? so that we don't have to then go back and work on the same issue over and over again?

Once again I'm going to defer to an act of Congress statute, the Trade Act of 2002, which lays out our negotiating objectives for trade agreements, including investor state, it includes the clarifications and improvements that have been made to that mechanism which I outlined like the public submissions open to the public and ? processes for weeding out frivolous claims but you know we're operating under this statute in seeking these agreements.

Sen. Bryant. So, Congress believes that they have some staff ? to follow up on ?. Congress believes that they've made changes that codifies this agreement so they don't have to ?

I can't speak for Congress, I'm not a ? specialist – I'm just saying that there were improvements made to the prior investor state ? dispute settlement mechanism I said we've had in place for decades and we've had it under NAFTA and ? the secret of hey why aren't these proceedings open to the public for example, and the briefs and why can't we have ? price admissions and how do we get rid of these frivolous claims so that you know to protect against needless litigation and so forth. So, I mean needless litigation is a problem that's kind of ? throughout our society. We have a lot of needless litigation that goes on so I think why the President has emphasized tort reform or something, not my area, I don't know, but so some of those improvements have already been made and they're ratified in the law. Again, this is an evolving area. We think that this outcome sort of validates what we've been saying all along.

Sen. Bryant. Inaudible. The answer that you had for us made changes to the current system, ? I was just getting back to the point why not ? if you had an advantage and it's been done, why not ? that piece?

Well, we think, again I don't know if that would require legal action, but what I do think this does have is an effect on investors who would want to file frivolous cases against the US government because it's a lot of time and legal expense and they lose and then now there has to be compensation to the United States for doing it, so I think that helps weed out frivolous claims, but again, I'm like I said we're implementing the existing statute that we've been directed to achieve which codifies previous improvements that were made as this involves I don't know what – Inaudible – it's a big victory for the ah

Sen. Bryant. Do we know how to codify that so that we can keep that victory – inaudible –

I've answered the question to the best of my ability.

Thanks again for being here. Inaudible – a series of questions, we're and as you know we're particularly concerned about the service ? negotiation ? GATs and one area that we have a lot of questions about and a lot of concerns about is the whole and ongoing negotiations through the ? and ? domestic regulations where as negotiations on transparency rules, negotiations on necessity tests so I want to start with the necessity tests and basically there are a number of proposals out there, I'm sure you know, and to push forward these necessity tests which essentially would say that ? service sector regulations covered in the GATS have to be no more burdensome than necessary and have to be the least trade restrictive as possible. So, if you're thinking at a state level and thinking about the wide range of service sector regulations, the potential for a foreign country to challenge something as more burdensome as necessary or not being the least trade restrictive way to regulate a service, causes us considerably concern, especially given the WTO track record where the 10 cases that challenge along the lines of the necessity of the regulation involving goods, not services, 9 of the 10 lost; France is the only one that won its case on – inaudible – so given that context can you tell us more about the current US position on these necessity tests proposals and specifically whether those would cover all services across the board or whether they would be only for services that the state would be committed to. Because we can envision a number of scenarios, liquefied natural gas is one where if Maine ? controversial issue, natural gas is covered in my understanding under the GATS services sectors, if Maine ? very strong service sector regulations, if ? is to constructed in the state we want such and such regulations – inaudible – not least trade restricted so I guess the question being what do you ? position on this necessity test proposal which are floating out there and will be debated and decided upon in less than 6 weeks and ? cover across the board or only to service sectors that are committed?

Well, again, this is an issue I have to defer to our services negotiating specialist to maybe follow up and answer your question. I believe it's that our position has been that we don't support the necessity test but I'm not sure about that and I would have to clarify that with our services office but just as a general matter, I mean these negotiations are ongoing and this is kind of a general point which is more of my own personal view rather than necessarily a US view. It seems like a lot of concerns come from the states about sort of hypotheticals and

theoreticals about the world of laws and regulations and so forth that are passed and the possibility of being challenged or the threat and you know, I was an academic before I was in government so this is more sort of my private view, not an official view. The bar is so high for these laws to be challenged. If you look at the world of trillion dollars of trade that occurs every year, hundreds and thousands of laws that are passed at the domestic and state level, and as I said none of these laws could be invalidated, preempted, or overturned automatically in any way by GAT or WTO or FTA even if the laws were inconsistent. It has to be brought to a specific case of dispute settlement. A dispute settlement in the WTO, in the WTO not investor state, in the WTO it's government to government, so basically, you have to have a government that is going to litigate a particular, you know bring a case to dispute settlement. So many cases get resolved, you know, the fraction of cases that are actually brought to dispute settlement in the WTO relative to the world and things that are out there are so small that even in that case where a high bar is met and there's a dispute settlement challenge, you know against a particular state law, even at the end of the day after all of that litigation which could you know the ? etc., you know, at the end of the day the US still retains complete sovereignty in how to respond to a WTO dispute settlement challenge. We could either ask, in the event, that the case was brought and it was not resolved and a panel found against a particular measure, you know, and I think that's how the necessity test would have to come, it would have to be litigated in a specific case, in a very specific instance then the United States would still, you know, retain complete sovereignty. If we lost, which is not clear at all in a hypothetical scenario, to either OK ask the State of Maine which you like to change the measure? No? OK, well then we can under go retaliation from the country that you know brought the case or we can maybe compensate in another area but no one's forcing you to change this law. Nobody's telling you you can't regulate you know, nobody's telling you you can't pass laws in the public interests and have statistically a reasonable amount of confidence you know that these laws are gonna stand and that's why we craft these trade agreements. I mean, we also are protective you know of our federal prerogatives as well you know. We believe that public policy needs to be made in the public interests and that you have these areas need to be regulated and that's why we put in all of these exceptions and carve outs for you know consumer and health and safety and morals and security and everything else and it's pretty difficult to litigate something and find against us in that regard because those exceptions are in there for a reason because the US government has the same interests that you know that the state governments do. We you know, countries want, all these countries, no countries want to give away their rights to do these things and I think there's a lot of misunderstanding out there about you know that's it not privatization, it's not deregulation, federal and sub/some federal states fully preserve their right to regulate, other countries want to regulate too. But you know have we made sure that we attack the discrimination factor without attracting you know attacking or compromising the sovereignty and the regulatory factor. We think we've been able to strike that balance and that it's worked very well over 10 years and that none of these trade agreements or panel decisions can invalidate or automatically overturn your laws period.

Yes, Matt. I think it's not just a hypothetical scenario, I mean for one, starting in '94 with NAFTA and with the WTO being implemented, you know it's really revolutionized what a trade agreement actually was. I think it's important that we recognize that this is a very new system of global governance and the language of the WTO they talk about writing a constitution for the global economy so it's a new scenario that's just starting to play out and

there have been numerous of cases you know just on the necessity test, 9 out of 10 WTO cases are on goods were ? by the other countries that tried to maintain their regulations so I think it is, I mean it is extremely important that state legislators and this commission and other bodies really pay extremely close attention to the fine details of these ? negotiations and also I think, while it's certainly true and you're absolutely right that nothing automatically changes it's certainly a little bit more complicated than you know just on the question of deregulation, the GATs clearly states that the US ? make certain commitments in the service sector shall not maintain or adopt limits on a number of service suppliers, service operations, employees or types of legal entity which in all domestic policy debate ? on electricity or health care would be about deregulation and would be defined as deregulation so I think that's where we're really coming from, and so along those lines and in that vein we also have some concerns about the transparency negotiations in domestic regulations which require that states and potentially you know –inaudible- any new regulation that was going to be crafted and be put out to foreign government ? foreign businesses have the opportunity to weigh in you know, give input on that potentially impact that regulation and if those transparency issues go into effect, it would put an enormous burden on states that put the mechanisms in place to do that and I ??? US proposal out there on transparency in –inaudible- negotiations so I'm wondering if (a) in the spirit of transparency you could share that proposal with us because it hasn't been made public yet, we'd love to be able to comment and then (b) could you tell us a little bit about the substance and whether it and how it could specifically impact state and local entities.

Again, I'm not involved in the details of the negotiations, so I would have to ask someone to follow up with you. As a general matter, we seek transparency in foreign governments because we're already a very transparent society here and we already pursue good governance practices of the state level, whether that's publishing proposed laws or regulations and you know public available journals or newspapers or online etc., I mean, that's sort of the hallmark of good governance is transparency and our folks you know are careful to craft these types of things so that we encourage other governments to you know, around the world, to pursue the types of transparency and good governance practices that we do at home because we think it's a good thing ? proposed laws and regulations and legislation and so forth is either on line or available in some public format and I'd be frankly shocked if that's not already the case in Maine and every other state in the US. So, again, we are trying to use the leverage of negotiations to encourage transparency and services regulation, anti-corruption practices and government procurement and so forth, which we already practice here, so like in the case of government procurement you know that the states don't really have to change their practices to comply with us because we're asking other countries to do what we already do and so we do have a very forward leaning agenda and transparency because we think that you know that transparency is good for governance and would try to be sensitive to craft the agreement so as not to create an undo burden or to allow you know multiple media or format to be used for that purpose. –

So then ? challenge to the US internet – inaudible – gambling is another case ? hypothetical or theoretical and according to ? an attorney general sent the letter to the USTR, the final ruling, final WTO ruling on that case ? means that an array of common US gambling regulations including limitations on the number of casinos or slot machines, state monopoly lotteries for exclusive Indian game ? are now subject to challenge before future WTO

tribunals ? US Gats obligations and the attorney general specifically requested that USTR withdrawal of the gambling sector from the US GATs commitments. So, I understand that you believe that is very unlikely that in this case, but in other cases states will actually have to change –inaudible- change their gambling regulations. However, since the United States apparently never even intended to commit gambling to the GATs rules in the first place, but only found out that the ? inadvertently committed gambling to GATs after the challenge was launched/lost? Why not take the attorney generals up ? recommendation to withdraw out commitment now just as a ? measure?

Well, first on the gambling case, we, you know work closely with state authorities and had an open working group throughout the process to mount a vigorous and a successful defense – inaudible- throughout all of Antigua's challenges against all state laws as we requested and the dispute settlement ended with no adverse finding against any state law. More importantly there, equally as importantly ? body also found that we have, affirmed, that we have the right to protect the public from the moral and other difficulties associated with illegal gambling. That we have the right to provide strong regulation of gambling to protect the public and enforce these laws and that federal and state and local authorities should continue to do that and that the ? court does not in any way require or recommend any change in state gambling laws or limit in any way state regulatory authority in that regards, so there were no, all findings, all state laws were thrown out in that case. I can't speak to, again I'm not the lawyer in this case, so I can't really speak to it, you know, -inaudible- I think the WTO body did find that the US had made a market access commitment but at the same time it affirmed the right of the US to protect the public, using the WTO exceptions about on public morals to enforce all of our laws regarding gambling so that's sort of the outcome of the case. I can't speak any further than that.

OK, so you're saying you can't speak any further on the future actions of USTR that the US may take in regard to withdrawing our commitment because while it appears that the United States narrowly won that case because of –inaudible- rule that the state regulations of gambling were necessary to protect public morals. Similar protections for state gambling laws are not ? according to my understanding, under ? for example – inaudible- Costa Rican international gambling firm decides to challenge US gambling laws so that if the exact same case was launched by a Costa Rican gambling firm, under investment rules, US would not be able to protect our laws by saying that they're necessary for public morals. So there appear to be some continued threat to our gambling regulations and because there is a continued threat, why not withdraw the gambling commitment. If you're not the person who can answer this, who should we ask this question to?

This is a matter of US government policy that's probably being determined, again, it's I have no idea what kind of hypothetical case could be launched under the ? of from a casino, I can't speculate on hypothetical cases or what the outcomes would be, but all I can tell you is that these laws that are rightly put in place by states, can't be automatically overturned and I can't speculate on what kind of hypothetical litigation may or may not occur and I appreciate that you have concerns about that. I mean, I was –inaudible- the world of all you know state legislation and so forth that's passed and you know there's a small number of cases in the world that get a lot of attention. at the same time, you know, we do a billion dollars of trade everyday with Canada and Mexico, a trillion dollars in trade a year in terms of relative to the

volume and relative to you know the benefit in terms of 30% of our economic growth. One in five manufacturing jobs, 12 million jobs in the United States, and so forth, that are supported by trade agreements. What we try to do in these trade agreements really is to achieve you know certainty, transparency, predictability, and opening markets and leveling the playing field, making it fair, because our markets are already open and when we negotiate these types of agreements in services or investment or whatever, it's because the US already has an open and transparent marketplace where rights are guaranteed and other countries tend to have less so. So, again, just coming back to the basic point, we want to strike the balance between being able to generate the huge benefits for our people and for our economy and for the world from these trade agreements while balancing it with fairly legitimate sovereignty concerns that you have raised and I want you to know that we're not oblivious to these concerns and that's why as these agreements have evolved we've put all these types of safeguards into the agreements to make sure, you know, that these types of scenarios, you know, while litigation does occur, you know we want to put the public health and safety and morals and environment and security and all these types of safeguards into trade agreements, you know, to make sure that the sovereign right to regulate is preserved. So we're striking that balance, you know, cases come up, we work with the state to litigate them to the best of our ability and to defend the United States laws and practices, you know, we come out with a pretty good record on that. We wouldn't obviate or overturn any kind of state law that you've enacted without full consultations and specific cases. I mean we're talking in specific litigation that's why we would go to you in a specific case if something a litigation like that did occur.

Sen. Bryant – inaudible. Thank you Madam Chair – inaudible – I think this is a good time to do it because it might just a little bit off so the Chair – inaudible. Two points for you. As you may know, the legislative ? that went down to DC last week and we had a meeting with ? and basically she does negotiation for pharmaceuticals – had a great meeting. Everybody was pleased with what transpired out of that meeting; great communication back and forth. I ? commend her for her forthright approach to what was happening there but we come into the same category where there are so many issues that one person can't really satisfy the questions. So one of her suggestions was why don't you come down for a half day or three quarters of the day and set up so you can get people there that have the different sectors so that we could go down through there. I thought that was a great remedy for the same type of issue that we have here. I feel that when we move over to this other field, and of course we have a wide range of questions that we would like to work with and so would you be open to allow some kind of or facilitate some kind of meeting that would allow us to get all the players over maybe a period of a day, half-day or three quarters of a day?

Yep, I would be happy to facilitate meetings definitely to the extent of our ability and people's schedules and you know, it could be, yeah it's great that she was able to meet with you and always open to meetings. It could maybe be a conference call, it might not be everybody in the same day. I mean we're the most traveled agency in the federal government; you can never get two people in town on the same day, so scheduling is kind of a nightmare so it might more you know if you have a particular question on a topic maybe we could arrange a conference call with that negotiator or something when she or he is in town, you know that type of thing, or if it's a specific piece of legislation or something like that, but you know we're happy to the best of our ability to be available to answer questions and schedule meetings.

Sen. Bryant. We'll try to ??? I wanted to raise that. The second piece that we had when we were there for that meeting, we talked about Medicaid -inaudible- we had some concerns around that but that was caught up in the agreement and she showed us that it wasn't and was what they had to do to get the job done basically. So the question that came behind that was why not make an interpretive note to that effect, codify that so that I then have a lot more confidence in what that is and she seemed to be a little bit open to that. What is your ?

Well, I would definitely defer to Barbara. I mean you're talking to the horse's mouth there. I mean we're so small, she's the gal to talk to, so I'm glad she was able to meet with you and answer your questions. I don't know what the legal status of an interpretive note is, whether it's Congressional, I don't know whether it's something that the US can issue unilateral or if it's something that has to be negotiated with another party to the agreement I simply don't know the answer to that question but I'm please that she was able to open a dialog with you and get your views on that.

Sen. Bryant. Inaudible
Congress delegation that you look at the interpretive note.

Oh great. Thank you.

Thank you for those 2 clarifying questions. Inaudible. We have one last question -inaudible. 3 question question.

Over the last decade Maine has lost thousands of well paying manufacturing jobs, a large number that are being served by this trade related ? through the Trade ? Assistance Program and I'm sure as you can imagine, in a state with just over a million residents, losing thousands of jobs has a huge impact on our economy, our state budget. So the first part of the question is will USTR push for trade agreements that includes strong and forcible labor provisions, require our trading partners -inaudible- to comply with the International Labor Organization, that would be -inaudible- labor standards. The second part is that we're wondering why in past trade agreements labor and environmental provisions in the agreement are not enforced as stringently as the commercial provisions. Specifically, the ? are tapped at a very low level for violations of the labor agreements and the government essentially pays itself, moving the money from one kind of government to another whereas the commercial ? protected by investor provisions that there's already been a lot of discussion of here. So, that question is why that imbalance in those two interests and finally, in terms of trade policy what else can Maine or USTR do to protect the remaining good paying manufacturing jobs in our state? We still do have some and they feel incredibly under threat.

Thanks very much for your questions. Just as a general matter I would point out that looking at the overall US economy and our unemployment rate right now, the ? President, President Clinton and all previous presidents pretty much going back to FDR in the 1934 Reciprocal Trade Agreements Act have had a very consistent trade policy of free trade and open markets through the GATs system which predated the WTO as well as bilateral free trade agreements, -inaudible- FDR which initiated that policy and bilateral free trade agreements. We've had about 60 some years of consistent, pretty consistent, trade policy through Republican and

Democratic administrations alike because free trade is in international interest, it's incredibly important to our economic growth and prosperity and why we have the largest, most competitive economy but ? to do business in the world. Our unemployment rate right now I think it's about 5.1% is below the average actually. At the 70s, 80s, 90s I believe Maine's unemployment is at 5.3% so it's just a couple ticks above. Our unemployment rate is far better than many of our trading partners' economy in Europe. Our gross rates are certainly better than those of Japan. I mean they have double digit unemployment in Europe where the economies are much more rigid and inflexible because if you lose a job, you're unable to find a new one because companies don't want to hire. So the strength of the US is keeping a dynamic and flexible economy which generates growth which generates new jobs so that anyone who wants to work can find a job because it's incredibly painful when you lose a job, for whatever reason, whether it's due to trade or technology changes actually account for a lot of job losses or shifting. Ten years ago we didn't have the internet, we didn't have phone calls to the other side of the world cost \$5 a minute now it's ?, I think they're free, so you have fiber optic cables that permit transmission of voice and data instantaneously so these barriers are being broken down by technology in a lot of ways, not a trade agreement, so people are having to adjust to a lot of shifts that going on with technology and this can be difficult and sometimes whether it's the fears of job losses and loss of competitiveness and a desire for protection has sometimes been recurrent throughout our history. In the 1920's, 1930s it was fear of low wage competition from abroad and so we have the ? Holly Tariff Act passed in 1929 which raised tariffs across the board up to 50% through millions of people out of work because when the US raised its borders, everybody else raised the tariff protection as well and as a result you ended up with a deepened and lengthened great depression and also in the view of some of our leaders you sow the seeds of war that way through millions of people out of work through trade protection because what goes around comes around. If we tried, if we shut down our markets just for our people, our producers, other countries will do the same and then you've got a world where everybody is protecting their own market but the outcome is that we have tremendous job losses so while transitions and adjustments can be very painful what we need to do is to keep the economy open and growing and flexible and creating the best jobs possible. In the last 28 months we've been able to create 4.2 million new jobs. The administration for FY2005 did essentially triple trade adjustment assistance for people are dislocated to about 1.1 billion dollars. You know, we need to make sure that a lot of things are in place; that our workers are educated and trained for the challenges of the 21st century whether that's ? No Child Left Behind, it's ensuring that our schools are performing, that people can graduate from public schools, like I did, and get a good education and go on to higher education and take out some loans and go on to college and so forth. America is the largest manufacturing exporter in the world. 62% of our exports are in manufacturing and as I said, one in five jobs depend on that so what we want to do is to continue to create the most flexible and growth oriented economy that we can. At the same time the US has always been in the forefront in terms of our other trading partners and in terms of incorporating labor and environmental objectives into trade agreements. These are laid out in the Trade Act of 2002 and we incorporate them in our bilateral free trade agreements, much farther out there than the ? or Canada goes around the world negotiating their trade agreements that don't nearly have the same levels of standards and protections that we do. Basically, the language commits the parties to enforce their own domestic, labor and environmental laws as part of the negotiations, we frequently are able to help countries upgrade those laws. For example, part of the US/Chile negotiations we got Chile to repeal a lot of its ? labor laws. As part of the

NAFTA agreement we also include what's called trade capacity building, labor capacity building. I think \$20 million in aid to upgrade their labor capacity, you have doubling the amount of child labor inspectors for example in El Salvador. Because we have the leverage of the trade agreement and because we know we have to get it through Congress and because we know our domestic public is concerned about things we're able to use the leverage of the trade agreement to actually get countries to review their laws to make sure that in many ways meet the ? objectives and recognize core labor standards and then also to devote aid and capacity building to help countries implement and enforce the laws. Under dispute settlement there's a quality of dispute settlement, either commercial or labor, the first choice is monetary fines. Well, you know a country if it's not enforcing its labor law in a recurring way that's related to trade, there's the possibility of fines but we get to oversee where those fines go to make sure it is addressed to actually remedying the problem. So, here's a tool of leverage that you wouldn't otherwise have to get countries to shine attention on their labor laws and to use the leverage of a trade agreement with the United States to upgrade labor laws and devote resources to enforcement in ways that would otherwise not be possible absent a free trade agreement. We really get leverage over these countries because you know people care about making sure that the laws are upgraded and enforced and by creating a mechanism for disputes –inaudible- where they would actually have to devote financial and personnel and other resources to remedy these problems is an improvement.

Sen. Rotundo. I have a feeling there are questions that people want to ask. I've also ? the fact that –inaudible- So perhaps questions –inaudible.

I think this was ?. This is serious ? major pieces that we want to start work on. Well, fine if you can do this. Maybe that we can schedule some other meetings in D.C. and we can have time set aside to work on ? One of the major discussions that we have is that the environmental standards you may have some leverage on that or the labor standards may have some leverage they're not equal to. In manufacturing jobs that we were losing our highest paying jobs. We may trade 5 jobs but they still don't equal to one that we've lost so we have great concerns, especially in a rural state, those are some of your major staples that hold some of the rural areas together, so I'll leave it at that and we can proceed further and take the time.

We did see this morning ? in building a bridge ? that we hope is a beginning and will ? a foundation for a good working relationship in the future. So we hope this is the beginning of many conversations that we will have with you and others –inaudible. Alan Stearns, do you want to just introduce yourself from the Governor's office?

Yea, and maybe you couldthe problem Christine identified was -----

I'll be very brief, I'm Alan Stearns.

Sen. Rotundo. Do you want to come up here and use the mic?

It's been a delightful challenge for me the last 2 ½ years to get up to speed on these issues, and specifically to understand the Governor's role. Inaudible – that we have here but – inaudible. I first asked Sen. Rotundo for the opportunity for some questions because in part I had not yet received responses from Jean ?.

I think she sent you one.

She did last night and I think most people here have those responses.

OK, great.

One technical follow up which I won't take any time today on but a ? observation which will I suspect we'll follow up in writing to the Ambassador on. You had introduced a new twist on state government procurement in the ? agreement with a new incentive which the Congress as an incentive ? to Maine businesses depending on how we react as a significant policy issue we'll elaborate in communication with the Ambassador. Second series of questions which I'll probably put in writing again because that's my most effective way of really understanding what my role is. On the services side it seems it came up ? of questioning, I can't state today what is the Governor's formal role and to what extent you on the services side, to what extent we do have a voice with you on services, separate from others ? I was very impressed with the letter from the Attorneys General in response to that main inquiry and I would need

I think we had a response to the Attorneys General letter

I know you have a response, I just need to figure out, ? you seem to suggest that the Governor has a unique role ? in response inaudible require follow up ? figure that out. Obviously on procurement we do have a unique role which I understand. I do not understand whether we have a unique role on services. Next quick point. Point of Contact. I understand why one point of contact makes sense and provides utility to everyone. You made the point that the resources of the USTR and recognized that resources in state government are equally limited for the magnitude, rather extraordinary debate in this time and this place. I think this is one of the most ? issues facing our economy, our workers and the globe as we sort all of this out. I think we need more resources all around. It's not a question of who the one point of contact is so much as what is the quality of the dialog. Going back to the most recent, most ? that May communication. I went back and looked at it again last night. It was perhaps in a/the 3rd letter with a request for perhaps a May 7th conference call with comment by the end of May and the magnitude and ? of this discussion regardless of who is the point of contact that is an incredible turnaround and to point out the challenges again on your side, the types of questions that I proposed to the USTR have necessarily and understandably taken a considerable amount of time for turnaround so we need to ask of you the same time for us to process issues rather than -inaudible- an observation rather than question. Finally, I'd say, if you would indulge me, this again is an observation rather than a comment, in one of your actually in that May 3rd communication the statement in writing is nothing in any trade agreement prevents the United States or any state from enacting, modifying or fully enforcing domestic laws period. You've repeated that in different variations and ? of today and you've spent hours listening to the discussion of that. I worry that that statement is too simplistic and we have discussed that in terms of hypotheticals, whether the bar is very high, you know whether it's success ? litigation is proof of that statement when there is the risk of some future litigation ? terms differently. My questions isn't to you in this regard so much as I need to rely on the Attorney General. From me listening this statement of fact was repeated in other fact statements that you've repeated here in writing this letter is too simplistic for me to rely

upon and I'm going to ask the Attorney General, informally, to ? whether that statement is true. I think there are so many asterisk qualifications and other such ? again the point is to get back the quality of dialog. I know how pressed you are to reassure us that this isn't as scary as we think it is and I appreciate that but to over-simplify the discussion into black and white statements, stunning in their simplicity, I think does a disservice to us all. So we're back where I'll be following up with some questions in writing and I appreciate your coming here. I have genuinely appreciated Jean ? this response.

Thank you for having me.

Christina, inaudible, respond to us. Certainly to the best of my ability, sometimes it takes a little longer than I would like it to because we're not 15-20 people and these are complex questions and they have to be coordinated as the US government response, you, a state government, must understand how the constraints that you face as well so I will to the very best of my ability do so.

Thank you very much for being here today and I do want to recognize that we have representatives from our Congressional delegation. We do have an excellent working relationship with our Congressional delegation –inaudible- Rep. Michaud's office. Are there any other questions?

THE END.

APPENDIX E

Citizen Trade Policy Public Hearing Summaries

Citizen Policy Trade Commission
Summary of Public Hearing Testimony
November 21, 2005
Southside Middle School
Houlton

Chris Stark of Winterport submitted written testimony. See attached.

Donald Flannery, Executive Director, Maine Potato Board submitted written testimony – see attached

Marilyn Roper of Houlton indicated a lack of publicity affected the number of people in attendance. She thanked the Commission for their help and their existence because many jobs had been lost due to trade agreements. She commented that Canadian companies could hire people from Houlton to build modular homes in Maine instead of bringing in Canadians.

James Cook, a Teamster from Aroostook County commented that under NAFTA they could bring in union nurses and he was not a union member because of this. If have a trade agreement with another country and there is a large difference in wages between the countries, a WTO tribunal may split the difference and then that person who is paid very little in his country can work in the U.S. for half the wage a union worker would get normally.

Rep. Carr asked if nurses coming in had a B.A. and don't have to be licensed and was answered that they don't need a B.A. but need to be licensed.

Dr. Weiss asked if the nurses were licensed by Maine and was answered that he didn't know but would find out.

Dr. Weiss also asked who set the wage standards under Mode 4 and was answered that it was not official - it is part of the GATS negotiations but nothing has happened yet.

Max Soucy of the Caribou UU church commented on the spiritual well-being of the people in Aroostook County. He has a Master's degree and is unable to find a job comparable to a Master's degree. He makes \$8.60 an hour with no insurance. He commented that Aroostook County is losing people, most with higher education. Employers there are not paying health insurance for their workers. The businesses that are able to compete are ones that don't have to compete with larger companies. Companies that move in take advantage of low wages. There is a lot of inertia that must be overcome before things will change.

He indicated it would be good to divert some money going to economic development and give it to businesses that are either locally or employee owned, so the area doesn't have to worry about those jobs going overseas. Some money used for development should go to Co-ops and worker owned companies.

He later added that NAFTA and CAFTA pre-date the problems but have done little to help and has actually accelerated the decline of business here. Not all of the problems are related to fair trade. We need support and encouragement to start businesses here and we can do it.

Tim Hobbs from the Maine Potato Board commented that Canadians are killing the spud local growers. If spud processors in Canada want to get spuds from Maine the other two Canadian Provinces would have to agree they can't supply the spuds before the processor could turn to Maine for the spuds. Twenty-five years ago there were about 100,000 acres planted with potatoes and last year Maine raised about 55,000 acres. The

Canadian acreage has increased significantly. He indicated he would follow up his statements with more details and written testimony he'd send in.

He said that Canadian shippers could ship potatoes into Maine at anytime of year and yet it didn't work the other way around as potatoes flowed more easily into Maine than into Canada. Maine growers export very little of their crop to other places in the world. We are working cooperatively with others regarding potatoe diseases but when it comes to the marketing it is much harder. He suggested taking a look at state policies such as water issues as those may have as much of an impact on the industry as trade issues. Potato growers are not too please with how NAFTA has worked so they did not support CAFTA.

Cindy Manual of Littleton runs a consulting business and commented that Maine and Aroostook County should be very aggressive in attention to trade issues as they must be able to compete on a global scale or they'll fail. They must be able to work with Canada as there were some inequities such as with softwood. She indicated Maine needed to be promoting Maine products and businesses globally, especially with Canada and New Brunswick.

Harrison Roper, a community member questioned comments he'd heard about the US slipping toward 3rd world type status.

Hannah Semler, a College of the Atlantic student related her experience concerning customers and corn production in Mexico. The people tried to stop the flow of genetically modified corn into the area. People need to look for ways to work against the trade agreements as they impact local groups. There also needs to be a way to put checks and balances into the CAFTA agreements like those that exist in NAFTA.

Elsie Flemmings, a College of the Atlantic student commented that she was concerned about the passage of CAFTA and that it would have a devastating effect on farming in Latin America.

**Testimony for the Maine Citizens Fair Trade Policy Commission, Houlton, Maine,
11/14/05. From Chris Stark, 358 Stream Rd., Winterport, 223-4777**

I recently went to El Salvador as one of the delegates for PICA –Bangor-Carasque Sister Cities and the Fair Trade Campaign. The delegation was comprised of human rights, economic rights and labor groups from 6 different states. The organizations from the states represented included POWER – Portland Organizing to Win Economic Rights in Maine, Kensington Welfare Rights Union in Philadelphia, Latino Student Union of Wisconsin, National Sweatfree Communities, The Progressive Student Union of Portland, Oregon, Ethical Trade Action Group of Colorado, the Maine Fair Trade Campaign, Maine United Students Against Sweatshops, and WERU FM radio in Orland.

We met with representatives from a group known as MPR –12 representing 30 unions and 131 cooperatives in El Salvador. The “12” of the popular movement for change refers to Indigenous People’s Day or October 12th . For most people in Latin America, Columbus’s pillage of land and people in the Americas is not a cause for celebration as it is here.

In meeting with community development organizations, labor groups and village representatives, we learned about the struggle people are facing. El Salvador is a country of extreme poverty. 60% of El Salvador’s population lives on \$2 US a day and 30% on \$1 a day. It is a country where 6 families are in control of the country’s wealth. The richest family’s recorded wealth is \$7.5 billion when El Salvador’s Gross Domestic Product is \$3 billion dollars.

CAFTA was thrust upon the people by the Salvadoran government barring public opinion and the vast network of community and labor rights organizations in that country. The concerns about CAFTA run deep.

In El Salvador, where most of the wealth is concentrated in the hands of a few and the average person is struggling for survival, there has been a reemergence of a people's movement for social change because the government ignores the basic needs of its people. Over and over again I heard people say, "We don't want to be a society of death anymore - we want dignity, freedom and sovereignty." Many people alluded to the conditions that provoked a 12-year civil war that ended in 1992 costing the lives of 75,000 Salvadorans. They said the economic conditions of extreme poverty and environmental degradation, and the influence of a powerful elite serving foreign investors are worse now than the conditions that lead to the Civil War.

Currently over 80% of the rice consumed in El Salvador is imported from the US. Salvadoran rice production has drastically declined. With CAFTA, the US will deal the final deathblow to Salvadoran rice farmers with US exports of 60,000 metric tons per year without paying taxes. This is 3 times the Salvadoran production of rice. Salvadorans cannot compete with cheap imports.

After the peace accords in 1992 a popular agrarian movement emerged and 263 out of the 265 cooperatives were able to pay off all of their debts with governmental support. The current debts, however, are going through the roof. Right now over 123,000 family farms are being threatened. The cost of fertilizers and pesticides were raised and land prices have been reevaluated at three to four times the former value.

CAFTA will contribute to a widening trade deficit forcing more emigration to the US. More Salvadoran families living in the US will send remittances to keep those remaining in El Salvador afloat.

As gasoline prices continue to rise, salaries have not. The government has blocked unions or attacked union organizers demanding better wages. According to the Salvadoran press last week the rural salary is \$3.40 US a day - Most do not receive that much. In fact the papers listed harvesting cotton, sugar and coffee at \$1.80 a day.

Recently, the government rejected the legal standing of the private security and machinery workers' unions.

Government corruption runs rampant in El Salvador. After Hurricane Mitch, the Japanese government gave the Salvadorans a large donation of rice. The Cristiani family took the rice and put it in storage and then sold to the Salvadorans a year later. This November, farmers discovered that the beans they bought from the government through loans were diseased and none grew. The government has pulled out all stops to take land away from farmers. Recently, the money made by cooperatives producing sugar cane, coffee and cotton were paid back to large landowners and not small cooperative owners. Currently the government is demanding that people pay their loans now or forfeit their land.

The reason the government and the 6 most powerful families in El Salvador want to drive the farmers off the land is to benefit a few Salvadoran businessmen and multinational corporations. CAFTA is the catalyst feeding the "society of death" model of free trade.

Everywhere we went people expressed their concern about losing farmland to the Au Martinique Canadian mining company. In Bangor's sister city, Carasque, the company went on people's land under the cover of darkness and left surveying tags on it. They are drawing up the paperwork with the Salvadoran government to strip-mine for gold and zinc in an area currently owned by families or held collectively by 11 communities. The mining operation will destroy their agricultural and recently reforested lands, by poisoning the water with chemicals such as cyanide used in the mining process, and destroying their communities. The result of this will be to drive them from their land. They will soon become refugees like they were in the 80's when the military killed family members and drove them out of their communities.

In other regions, communities are struggling against the building of hydroelectric dams that have already displaced several communities. The energy benefits multinational companies, not the communities.

So how does this relate to Maine? Will we give companies more leverage to control natural resources and public services in Maine and abroad under CAFTA? -Will Nestles own the water rights in Western Maine? Will international trade tribunals decide what's best for Maine or El Salvador in the future, continue to displace people and exploit the natural environment? Will investor rights take precedence over people's rights?

While in El Salvador, people talked about the need for "bottom -up", not "top-down" globalization. They said that people need to organize everywhere to negotiate trade agreements with a human face and recognize we share this planet together. The gross exploitation of limited resources on this planet cannot be sustained in this century. I hang on to the hope that one day trade agreements will not be drafted by special interests behind closed doors, and that trade will be democratized. We need to prioritize people and the delicate environment in which we live. We must recognize the current trade policy is a manifestation of unbridled greed and power of a few.

I'm afraid that in 2006, CAFTA, will send more jobs overseas, drive small farmers off the land, and give corporations more leverage to ignore environmental regulations, further contaminating the air and water we all share. It will allow transnational corporations to undermine international labor and environmental standards while driving the working poor underground and rendering governments powerless to protect them. It is a perversion of ethical business practices and international standards of decency. CAFTA is a recipe for more violence, suffering and disaster here in Maine and in the developing world.

When the average citizen in Maine is asked whether there should be a free trade agreement, people don't have a framework to form an opinion because of the catchy

euphemisms of "free" and "economic growth" and "trade" are thrown about so liberally. And who is going to say there is anything wrong with that? However, if you ask them, "Should we poison 11 communities with cyanide, they should have no trouble in forming an opinion. They would say, "No!" No one would say, "How much is in it for me?"

Dube, Nicole

From: Donald Flannery [flannery@mainepotatoes.com]
Sent: Wednesday, November 23, 2005 8:37 AM
To: Dube, Nicole
Cc: Hobbs, Tim
Subject: NAFTA Comments - Maine Potato Industry

Please forward these comments on to the Citizens Trade Policy Committee. We were asked to submit comments as a result of their recent meeting in Houlton, Maine.

CANADA

I. Trade Barrier Description

Since the U.S.-Canada Free Trade Agreement was negotiated in 1988, the U.S. potato industry has sought relief from unfair and discriminatory market access barriers in Canada that have affected U.S. exports of fresh and processed potatoes. Despite numerous U.S.-Canadian bilateral discussions and negotiations on the issues, for more than ten years, many at high levels, there has been no meaningful relief. A 1997 investigation by the International Trade Commission of the competitive conditions between the U.S. and Canadian potato industries under Section 332(g) of the 1930 Trade Act confirmed the existence of several trade-distorting Canadian practices that continue today to disadvantage U.S. potato growers and processors. In recent years, Canadian production of both fresh and processed potatoes has increased, putting added pressures on bilateral trade.

On December 4, 1998, the U.S. and Canadian governments signed an agreement on a Record of Understanding Regarding Areas of Agricultural Trade, which agreement sought to resolve the most contentious U.S.-Canada agricultural issues. On the issue of potato trade, the governments could not agree on how to resolve the outstanding concerns over subsidies and other discriminatory regulatory practices and restrictions and recommended that a joint U.S.-Canada industry committee "review the issue of regulatory differences and restrictions affecting bilateral trade in potatoes and provide a report to Ministers by September 1, 1999 on how these issues might be addressed with a view to facilitating bilateral trade." The Ad-Hoc industry committee submitted its report to the governments on September 1, 1999. That report identifies concerns of U.S. potato growers and processors about Canada's (1) restrictions on bulk shipments, and (2) onerous requirements for inspection and certification. It also recognizes areas where joint cooperation of U.S. and Canadian officials can relieve trade barrier concerns, such as in the area of pesticide registrations, harmonization of grade standards, and the equivalency of laboratory accreditation systems in the U.S. and Canada. Since the 1999 report, and despite increased U.S. government pressure on Canada in 2005, only minimal progress has been made in easing the trade restrictions.

The removal of Canada's prohibition on the export of U.S. potatoes in bulk quantities and a correction to Canada's assessment of antidumping duties on Northwest potatoes are two of the U.S. potato industry's priority global trade concerns.

A. Prohibition on Bulk Shipments (Import Policies)

Canada's Standard Container Law (part of the Fresh Fruits and Vegetable Regulations of the Canadian Agricultural Products Act) prohibits the importation of U.S. fresh potatoes to Canada in bulk

quantities (over 50 kilograms), whether imported for fresh consumption or processing, unless a special Ministerial Exemption is granted. The exemptions are granted on a case-by-case basis and only if "there is no domestic (Canadian) production" to supply the order. Both the receiving province and any neighboring province can prohibit U.S. imports if domestic (Canadian) potatoes are available in any of those provinces. Price cannot be used as a factor in determining a shortage of domestic product. In practice, this has meant that there must be a shortage of potatoes throughout Canada before a Ministerial Exemption will be granted.

The bulk shipment prohibition does not apply to Canadian potatoes shipped within a province and is applied in a much less trade-restrictive manner to potatoes shipped between provinces, since in that case, only the receiving province can object to bulk imports on the basis that there is available local production.

Because the bulk shipment prohibition and the criterion for exemptions treat U.S. imports less favorably than "like" Canadian potatoes, the law violates the National Treatment principle of the WTO (GATT Article III) and the comparable NAFTA provision (Article 301). GATT Article III and NAFTA Article 301 require that Canada treat imports "no less favorably" than the treatment it accords to its own "like" domestic products. To correct the violation, the underlying law would need to be removed.

Efforts by USTR in 2005 to persuade Canada to remove the bulk shipment prohibition for potatoes through formally requested consultations have resulted in numerous reform proposals, but none have been adopted and none have led to a change in Canada's policy. The NPC urges USTR to pursue formal dispute settlement, if necessary.

The prohibition on bulk shipments and the onerous exemption requirements restrict U.S. growers' access to the large potato processing market in Canada. It is estimated that the prohibition costs U.S. potato growers \$25 to \$30 million annually in lost sales. In contrast, low-priced potatoes from Canada enter the U.S. market with no similar restrictions.

B. Determination of Normal Values (Other Barriers)

For 21 years, since 1984, Canada has imposed antidumping duties on imports of fresh potatoes from Washington, Oregon and Idaho that enter British Columbia below an established "normal value" under the authority of Canada's Special Import Measures Act.

The U.S. Pacific Northwest industry contested the allegations of dumping and the methodology used by Canadian authorities in calculating the dumping margins during annual reviews of the dumping order held in 1984, 1986, 1990, 1995 and 2000. Each time, the Canadian authorities refused to revise the dumping order favorable to U.S. exporters.

The methodology used by Canada to compare import values to normal values and to calculate the dumping margins deviates from the normal practice of comparing the invoice price of each entry to the normal value. Instead, the Canadian practice is to use an average U.S. price for potatoes reported in the USDA Market News and compare that to the normal value. Because this methodology can result in dumping margins on imports that have a true invoice price above the normal value, it unfairly disadvantages U.S. exporters by placing higher dumping duties on U.S. potato exports. In addition, Canada applies an artificially high normal value based on old data that also increases the dumping margin.

In 2005, the Pacific Northwest industry participated in formal Canadian review procedures to challenge the normal value amount. On September 12, 2005, as the result of an Expiry Review of the

Canadian Antidumping Order, the Canadian International Trade Tribunal (CITT) removed long-standing antidumping duties on imports from the U.S., but only for reds, yellows, and exotic fresh potatoes, regardless of their packaging, and for 40 to 80 count- size whites and russet potatoes imported in 50-pound cartons. Unfortunately, the CITT continued to find that the rescission of the antidumping duty order on all other white potatoes "would likely cause injury to the domestic industry," thus keeping in place the antidumping duty order for a significant volume of trade. (Expiry Review No. RR-2004-2006, Certain Whole Potatoes, September 12, 2005.) Although Canada's partial removal of the antidumping duty on the less traded products is welcomed, the U.S. industry continues to believe all Northwest U.S. potatoes should be allowed entry into British Columbia absent additional and onerous antidumping duties.

II. Estimated Increase In Exports (\$25 to \$50 million)

Although the U.S. industry has not undertaken a formal analysis to determine the injury from Canada's prohibition on bulk shipments of U.S. fresh potatoes and other trade irritants that have affected U.S. exports, U.S. processors have documented over \$87 million annually in lost business to low-priced Canadian imports. It is estimated that the removal of the above-described restrictions would increase U.S. potato exports to Canada by \$25 million or more annually.

Donald E. Flannery
Executive Director
Maine Potato Board
flannery@mainepotatoes.com

EatMaineSpuds

Citizen Policy Trade Commission
Summary of Public Hearing Testimony
May 11, 2006
Andover College
Lewiston

I. TESTIMONY BY TOPIC

Democracy Issues

- Concerned about the transparency of the international trade agreement process. Democracy is under attack. We need to do proper assessments of impact of these trade agreements; all negotiations should be halted.
- Concerned about the proposed Net Neutrality Act. If this federal legislation passes, corporations will be able to buy network space and allow deep integration of media. Mainstream media and public perception of the world will be controlled by a few transnational corporations.
- Concerned about secrecy of NAFTA process. Enforcers are unelected. Local laws are disregarded.
- It is the responsibility of government to take charge of trade agreements and take it out of the hands of corporations.
- The poor need to be able to speak up to corporations and big business.
- The most important piece is education. The general population just doesn't know what is going on.

Maine Jobs/Economy

- Maine State Employees Association (MSEA), SEIU Local 1989 concerned about the potential negative impacts that international trade agreements focused on services, such as the General Agreement on Trade in Services (GATS), could have on public sector workers and access to public services in Maine.
- The GATS would accelerate privatization of public services and undermine public service workers, wages and unions.
- MSEA-SEIU believes that trade agreements become fair trade agreements only when they are inclusive and all parties are represented at the table.
- Our survival depends on re-localizing our economy and converting to a low-energy, low-resource, and no-growth economy. Our communities and our next generations will depend on our developing local solutions – whether in agriculture, health care, education or government services.
- We must find ways to reduce our imports and promote cooperative economic development.
- NAFTA alone has cost the State of Maine thousands of decent manufacturing jobs. We have already lost most of the shoe and textile factories, and now the paper industry is investing more overseas than here in the U.S.

- We must take back local democratic control of our economy. We must not surrender power over our local ordinances, laws and regulations to the foreign and alien corporations.

Labor Issues

- Trade agreements have lowered the wages of workers both in America and abroad.
- One out of 4 union leaders murdered in the world are murdered in Columbia; yet the United States has a bilateral trade agreement with Columbia.
- When NAFTA began in 1994, it's supporters claimed that it would increase U.S. exports, create jobs here in America, and raise the standard of living in Mexico, but none of these things happened. Instead, U.S. jobs were lost, exports fell, imports rose, and the standard of living in Mexico fell.
- Workers are being exploited in developing countries.
- We need a minimum manufacturing base; the current cost of fuel highlights this issue.

Public Health/Pharmaceuticals

- Concerned about how trade treaties undermine governments' ability to control tobacco and alcohol – two products that cause substantial harm to public health:
 - Why should tobacco be made cheaper as tobacco taxes are lowered, when it should be made more expensive?
 - Why should tobacco be made easily accessible to citizens through the elimination of market restrictions, when it should be made less accessible – especially to young children?
 - Why should tobacco be made more desirable to youth through global advertising, when we should be reducing tobacco advertising, sponsorships and other promotions to protect young people worldwide?
 - Globally, alcohol causes nearly as much death and disability as tobacco. According to the World Health Organization (WHO), alcohol consumption is the leading risk factor for disease burden in low-mortality developing countries, and the third largest risk factor in developed countries.
- Trade treaties place ever greater restrictions on government actions, making it more difficult for governments around the world to regulate tobacco and alcohol to improve public health.
- The U.S. is requesting that other countries make concessions in the current round of the WTO services negotiations – in the form of collective GATS requests in distribution services. If this demand is accepted, it would make it more difficult for these other countries to regulate tobacco and alcohol in the public interest.
- In 2005, the Framework Convention on Tobacco Control came into force. This is the first legally binding treaty sponsored by WHO and is designed to reduce tobacco-related deaths and disease worldwide by restricting the supply and demand for the product.
- A representative from the National Legislative Association on Prescription Drug Prices (NLAR) spoke about a recent lawsuit filed by a major pharmaceutical company, Eli Lilly, against Australia which has a bilateral trade agreement with the U.S. Under a provision of free trade, the drug company is suing to force Australia to include one of its drugs on the country's preferred prescription list, making it eligible for the government drug benefit program. What can be done in Australia can

be done in Maine or elsewhere. Maine maintains its own preferred drug list for its prescription programs.

- The Australia free trade agreement may limit what states can do and may make it more difficult for Maine to carry out its drug policies.

Environment

- Trade agreement rules may apply to water, including municipal water treatment and wastewater treatment and water investments such as the State of Maine's agreement with Poland Springs.
- A state has no authority to alter the rights of foreign investors under international law, either by law, regulation or contract (in reference to the State of Maine's agreement with Poland Spring Water).
- The Friends of Merrymeeting Bay (FOMB) are concerned about water quality and quantity as they pertain to the State of Maine and to the Merrymeeting Bay watershed in particular. FOMB is concerned about the potential impact of trade treaties on the democratic control over water.
- FOMB spoke about a NAFTA case where Canadian company Methanex brought suit against California laws banning the gasoline additive MTBE. FOMB feels this case illustrates that global corporations can use international trade treaties to challenge state measures affecting water using a secretive and expensive process that bypasses our domestic laws and court system.
- How can we continue to regulate the extraction, distribution and use of fresh water in our State in the long-term public interest without interference from global water companies using trade treaty rules?
- How can we ensure that democratic control over water in Maine is not subverted?
- Past trade agreements, like NAFTA, show the potential for trade treaties to affect bulk water exports.
- Global trade rules apply to municipal services, such as water treatment, fresh water distribution, and wastewater treatment.
- We haven't done the assessments necessary to understand the impacts of the GATS agreement on land use. Local municipalities need to have control over environmental and historical impacts.

Agriculture

- In the early 1970s, there were approximately 7,000 acres of commercial apple orchards in Maine. Presently, there are just over 2,000 acres. Most of that decrease is a direct result of unfair trade and foreign imports.
- Apples from South America and New Zealand dominate the wholesale market. China has 5 million acres in apple orchards ready to flood the market. Offshore producers don't have the environmental or labor issues to contend with that domestic producers do, such as paying a federally mandated \$9.16 per hour to harvest the apples.

II. REQUESTS MADE OF COMMISSION BY SPEAKERS

Public Health

- Maine should request that the United States Trade Representative (USTR):
 - Not make any GATS offers affecting the supply, distribution, sale, advertising, promotion or investment of tobacco and alcoholic beverages in Maine; and
 - Refrain from making any GATS requests of other countries pertaining to these service sectors.
 - In particular, Maine should request that the federal government instruct the new USTR to withdraw U.S. support for the collective (or “plurilateral”) request it has co-sponsored on Distribution Services as it pertains to alcohol and tobacco.
- A representative from the National Legislative Association on Prescription Drug Prices (NLAR) asked the Commission about the status of a draft resolution calling on the USTR to form guidance on the definition of “federal care program” under Annex 2-C of the U.S.-Australia free trade agreement. In January, NLAR asked the Commission to endorse the Vermont model legislation and to advise the Maine Legislature to come forward with a similar resolution.

Natural Resources

- FOMB urges the Commission to search out examples where trade treaties impact democratic control over water resource and craft state legislation that provides the best possible protection against the intrusion of trade treaty rules.
- FOMB urges the Commission to ensure that water is included as a priority item in all future state efforts to protect state laws from trade treaty interference. Trade treaties extend beyond water as a commodity; these rules pertain to water services and water investments.
- Asked the Commission to look into how we in Maine can protect our fresh water, and services and investments relating to water, from international trade rules.
- Asked the Commission to assess the risks of international trade treaties affecting the democratic control over water in Maine – with special emphasis on global rules on services and investments relating to water.
- Asked the Commission to investigate how the State could minimize its exposure to these risks in its day-to-day practices. Should the State be negotiating much tighter water contract provisions?

Other

- MSEA-SEIU urges the Governor to carve the State of Maine out of previously committed service sectors such as healthcare.
- Peace through Interamerican Community Action (PICA) urged the Commission to recommend to Maine’s congressional delegation that they reject the U.S.-Columbian trade agreement now in negotiations. Union organizers are systematically killed in Columbia.
- Asked the Commission to support federal legislation referred to as “Fair Trade for our Future Resolution.”

APPENDIX F

Citizen Trade Policy Commission

**June 16, 2006 letter to the Office of the United States Trade Representative regarding
domestic services under the General Agreement on Trade in Services**

Maine Citizen Trade Policy Commission



Senator Margaret Rotundo, Co-Chair

Representative John Patrick, Co-Chair

June 16, 2006

Christopher Melly, Director, Services Trade Negotiations
Daniel Watson, Director, Services Trade Negotiations
Office of the United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Dear Mr. Melly and Mr. Watson:

We are writing to you on behalf of the Maine Citizens Trade Policy Commission. The Commission is a public body created by an act of the Maine Legislature to examine both the economic opportunities for the State of Maine provided by the expanding number of trade agreements to which the U.S. is party, and also the possible impacts of new trade disciplines on U.S. federalism, particularly as they pertain to Maine's ability to regulate in the public interest. With this in mind, the Commission has taken a particular interest in current negotiations pertaining to the General Agreement on Trade in Services. We are writing today out of concern about three matters pertaining to current GATS negotiations:

1. Negotiations on "domestic regulation" in the WTO's Working Party on Domestic Regulation. The WPDR has been asked to develop binding rules for implementation of GATS Article VI.4, to ensure that regulations are "not more burdensome than necessary to ensure the quality of the service." We have previously expressed our concerns that the creation of a test of "burdensomeness" or "necessity" could shift the standard for regulation away from the constitutionally-protected "rational basis test" to one which is far more restrictive of state authority. We also have communicated our concern that limiting regulations to those necessary to "ensure the quality of the service" would preclude a whole range of non-discriminatory policies that seek to protect broader public interest in relation to the provision of that service. Recent proposals circulated in the Working Party on Domestic Regulation have also expressed hostility to sub-federal regulatory authority by noting that regulations must relate to "national policy objectives," thereby restricting the ability of states to adopt standards that may be different than those advanced at the federal level. This ability, of course, is at the heart of U.S. federalism.

With these concerns in mind, we urge USTR to:

- Reject any proposal brought before the WPDR for consideration that would include a "necessity test" or test of burdensomeness.

- Preserve fully the rights of states to regulate all aspects of a service, by seeking the broadest possible definition of what regulatory measures relate to the “quality of the service.”
- Reject references to “national policy objectives,” or modify this language to include “national *and sub-national* policy objectives.”
- Safeguard state oversight of professional licensing procedures and use of education/qualification requirements. We look forward to working with USTR and the appropriate authorities in Maine who develop and implement licensing procedures and examinations to develop the appropriate safeguards.

2. Impacts of new GATS sectoral commitments on the ability of Maine to regulate the siting and construction of a Liquid Natural Gas (LNG) facility. As you are no doubt aware, currently there are several entities seeking a license from the Federal Energy Regulatory Commission (FERC) to develop on- or off-shore LNG facilities in the State of Maine. At least one of those entities includes foreign ownership. In the 2005 Energy Policy Act, Congress gave FERC authority to license LNG facility siting, while explicitly preserving state authority to review applications to site coastal facilities. The FERC describes this on its website as having preserved a “virtual veto” power for states. At the same time, however, foreign LNG suppliers have already complained (explicitly in the case of California) that the dual federal-state LNG regulatory oversight system is overly burdensome.

We wish to therefore remind USTR that:

- Maine has requested a carve-out from any new GATS sectoral disciplines, including those pertaining to bulk storage of fuels and pipeline transportation of fuels—both of which would be part of any coastal LNG facility.
- States worked actively with their Congressional delegations to preserve state regulatory authority on LNG siting decisions in the 2005 Energy Policy Act, and would therefore take a dim view of any “end-around” of state authority through commitments on GATS—including new rules on domestic regulation that imposed tests regarding whether particular regulations were “related to the quality of the service.”

3. USTR’s continued failure to address concerns raised in previous letters from the Maine Citizens Trade Policy Commission and from Governor Baldacci. The lack of meaningful consultation regarding proposed new GATS commitments led us to conclude that it would be most prudent for Maine to seek a carve-out from new GATS commitments until such time as the Commission—which includes representatives from all three branches of government, plus the Maine State Point of Contact with USTR—has had an opportunity to study the potential impacts of such new commitments on Maine’s regulatory authority.

We would note that in its May 2006 “Trade Facts” regarding GATS and the states, USTR asserts that it collaborated with state regulators in drafting *current* U.S. GATS commitments. We are not aware, however, of any attempt to work with state regulators in Maine regarding possible *new* GATS commitments—neither with respect to new sectoral commitments, nor with respect to negotiations taking place in the Working Party on Domestic Regulation. Our reading of this “Trade Facts” suggests that, indeed, USTR has no intention of consulting with states regarding new GATS commitments, and we find this lack of consultation troubling.

Given impending deadlines for completion of modalities in the WTO Doha Round negotiations, and given the June 19th meeting of the Working Party on Domestic Regulation—for which the

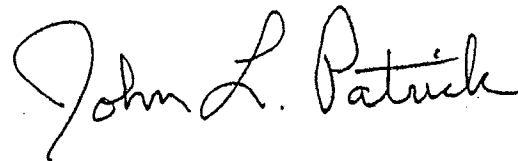
Chair has indicated that he hopes to forward a "consolidated text" to the General Council on Services regarding Domestic Regulation disciplines-- the members of the Maine Citizens Trade Policy Commission request that USTR negotiating staff brief members of the Commission regarding current negotiations in the WPDR, the content of any texts emerging from the Working Party, and any other issues pertaining to GATS "domestic regulation" rules or new sectoral commitments, as soon as is practicable following the June 19th meeting.

We appreciate the opportunity to raise these concerns with you and look forward to your earliest possible reply. With very best wishes.

Sincerely,



Senator Margaret Rotundo
Co-Chair



Representative John Patrick
Co-Chair

cc: Tiffany M. Moore, Assistant USTR, Intergovernmental Affairs and Public Liaison
Christina Sevilla, Director, Intergovernmental Affairs

APPENDIX G

**Office of the United States Trade Representative July 10, 2006 letter
to the Citizen Trade Policy Commission responding to
the Commission's June 16, 2006 letter**

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

JUL 10 2006

Senator Margaret Rotundo
Representative John Patrick
Co-Chairs
Maine Citizen Trade Policy Commission
100 State House Station
Augusta, ME 04333-0100

Dear Senator Rotundo and Representative Patrick:

Thank you for your letter of June 16, 2006 concerning the ongoing negotiations in the Working Party on Domestic Regulation (WPDR) in the context of the WTO General Agreement on Trade in Services (GATS). I am aware of the issues you have raised in your letter concerning state sovereignty and importance of the right to regulate in the public interest, and we have taken these concerns fully into account. USTR has consistently opposed the adoption of necessity tests in any new disciplines on domestic regulation, and has strongly resisted attempts to create new obligations that would undermine Members' ability to regulate their services sector, including any possible ramifications for liquefied natural gas (LNG) facilities.

As a general matter, I would like to emphasize that the GATS is carefully crafted to preserve state sovereignty. The GATS explicitly recognizes the right of governments to regulate, and in no way forces deregulation or privatization of any sector or public service. Only Congress and state legislatures can change U.S. laws.

The issues involved in the negotiations in the WPDR are complex, and I would be happy to set up a briefing for Maine officials to discuss them in greater detail. Please contact my office at 202-395-4510 to arrange a mutually convenient time.

Sincerely,



Christopher Melly
Deputy Assistant United States Trade Representative
for Services

APPENDIX H

**Citizen Trade Policy Commission's Contract for Services with
the Forum on Democracy and Trade to conduct its 2006 assessment**

CONTRACT FOR SERVICES

This agreement is by and between the Legislative Council, acting on behalf of the Citizen Trade Policy Commission, and the Forum on Democracy and Trade, hereinafter called "Contractor", whose principal office is:

386 Pacific Street, 2nd Floor
Brooklyn, NY 11217

Employer ID Number: #02-064-2284

WITNESSETH, that for and in consideration of the payments and agreements hereinafter mentioned to be made by the Legislative Council upon the recommendation of the Citizen Trade Policy Commission (hereinafter "Commission"), the Contractor agrees to furnish all qualified personnel, facilities and materials and perform the services described in Riders A and C. The following are hereby incorporated into this contract by reference:

Rider A: Specifications of Work to be Performed

Rider B: Payment and Other Provisions

Rider C: Assessment Blue Print and Work Plan

IN WITNESS WHEREOF, the Legislative Council and the Contractor, by their representatives duly authorized, having executed this agreement as of the day and year written.

LEGISLATIVE COUNCIL

Dated: 6-14-2006

By David E. Boulter
David Boulter
Executive Director of the
Legislative Council

CONTRACTOR

Dated: 6-12-06

By Peter Riggs
Peter Riggs
Director of the Forum on
Democracy & Trade

RIDER A

SPECIFICATIONS OF WORK TO BE PERFORMED

PART I:

Assessment

The Contractor shall conduct an assessment of the impact of international trade on Maine at the direction of the Commission or its designee and as provided in Rider C. The Contractor shall consult regularly with the Commission and its subcommittees to develop and update the work plan and schedule for the completion of the assessment. The Contractor shall provide a progress report on the assessment to the Commission by August 15, 2006 and a draft of the final assessment by November 1, 2006. The Contractor shall provide the final assessment to the Commission by December 1, 2006. The Commission reserves the right to make all final decisions concerning the content of the assessment. At a minimum, the Contractor shall meet with the Commission in Augusta, Maine at least once to consult with the Commission or present information.

PART 2:

Printing

The Contractor shall provide, within the contract sum provided in Rider B, at least 50 paper copies of the final assessment report and a print ready electronic version that can be posted on the Commission's webpage and used for general distribution.

PART 3:

Key Personnel

The following individuals are designated as key personnel in performing the duties outlined in this agreement:

Name

Peter Riggs
Forum on Democracy & Trade
386 Pacific Street, 2nd Floor
Brooklyn, NY 11217

David Boulter
Executive Director of the
Legislative Council

115 State House Station
Augusta, ME 04333-0115

Commission's Designee
Patrick T. Norton
Director, Office of Policy and Legal Analysis

RIDER B

PAYMENT AND OTHER PROVISIONS

CONTRACT PRICE. The maximum amount payable under this contract is \$10,000.

SUBMISSIONS. All invoices, progress reports, correspondence and related submissions from the Contractor shall be directed to the Executive Director, Legislative Council through the Commission:

C/O Patrick Norton
Director, Office of Policy and Legal Analysis
13 State House Station
Augusta, Maine 04333-0013

PAYMENTS. The total contract sum of \$10,000 shall be paid to the Contractor upon completion and acceptance of the assessment by the Commission and the Executive Director of the Legislative Council. The Commission and the Executive Director may accept, direct changes to or reject the assessment. Payment shall be made by the Executive Director of the Legislative Council within 30 days after deliverables have been received and are accepted by the Commission and the Executive Director. The Contractor may not incur extra costs payable by the Legislative Council without having authorization in writing from the Executive Director.

CHANGES IN WORK. The Legislative Council, upon the recommendation of the Commission, may authorize changes in the scope of the work. All such orders and adjustments shall be in writing and signed by the representatives of the parties to this contract.

SUBCONTRACTORS. Unless provided for in this contract, the Contractor shall make no contract with any other party for furnishing any of the work or services herein contracted for without prior consultation with the Commission and the written consent and approval of the Executive Director. This provision excludes contracts of employment which the Contractor may have with those employees assigned to perform services described in this contract.

OWNERSHIP. Upon completion of this agreement, the deliverables required under this Contract for Services and supporting information developed under this contract become the property of the Maine Legislature.

RIDER C

ASSESSMENT BLUE PRINT AND WORK PLAN

The Contractor will conduct the assessment in accordance with the following blue print and work plan. The Contractor envisions seven outputs from this assessment work:

1. An Assessment of the roles/activities of the Citizen Trade Policy Commission;
2. Analysis in support of Maine state government oversight on international trade;
3. Summary document noting options for Maine's future engagement on trade;
4. Summary document noting opportunities for expanded multi-state engagement;
5. Media materials and suggested resources for broader public engagement;
6. Acknowledgment of issues raised during public hearings; and
7. Identify future trade related issues.

1. Assessing the role of the Citizen Trade Policy Commission in:

- Advancing democratic discussion in Maine of trade issues;
- Assisting with economic development planning/"brainstorming;"
- Engaging USTR on negotiations and scope of current commitments;
- Communicating interests to Maine's Congressional delegation; and
- Relating to other states and through national associations.

Output: Core Assessment of the Commission's work

- a) Measured against purposes as stated in legislation creating the CTPC
- b) Based on the objectives/self-assessment of Commission members (and where applicable their constituents)
- c) Through comparison with other state models/approaches to trade oversight.

Tools for Analysis: Interviews with Commission members and constituents, analysis of exchanges between the Commission and Maine state agencies, legislature, and Congressional delegation. Comparative work will be based on Contractor's perspective from other states.

2. Providing analytic support. As provided below, the Contractor will conduct an analysis and assessment of the following enumerated areas. Areas of primary analytical analysis are noted in bold. Non-bolded items are to be included in the assessment but are not prioritized for analytical work specific to the State of Maine. In these cases, the Contractor may use existing background materials or case studies pertaining to the subject. Non-bolded items appear in order of priority to the

Commission. The Contractor may seek assistance and some time commitment from in-state agencies, etc., for support of the analytic areas.

Labor/Economic Development

- a) **Government procurement** - Analytical analysis of how Maine can most effectively use state and local procurement to promote local and state economic development without conflicting with trade rules.
- b) Overview of status of current NAFTA/WTO disputes with Canada—overview of cases.
- c) Foreign direct investment—measuring flows and impacts.

Natural Resources/Environment

- a) **Maine, the Farm Bill, and international trade** - Analytical analysis of agriculture strategies/policies favorable to Maine in light of current WTO and Farm Bill discussions.
- b) **Water withdrawal and water services: GATS and investment challenges** - Analytic analysis of bottled water industry.
- c) Land use and zoning: possible GATS and investment challenges.
- d) Bulk storage of fuels and pipelines (LNG siting): implications of possible new U.S. commitment under the GATS agreement.

Health Care

- a) **GATS and health insurance commitments** - Analytic analysis of the health insurance commitments under GATS and implications for Maine.
- b) Nurse licensing standards and GATS negotiations.
- c) Focus on preferred drug list and how it impacts or could impact Maine's Rx program including any challenges and intellectual property issues. Also review the re-importation of prescription drugs—reference to the Governor's task force and actions of other states.

Tools for Analysis: Joint research work with staff of the Harrison Institute, Georgetown University Law Center, and with relevant experts in Maine.

APPENDIX I

**Vermont's draft Joint Senate Resolution relating to international trade agreements
and pharmaceutical drug programs**

DRAFT

Joint resolution relating to international trade agreements and pharmaceutical drug programs.

Offered by: Senator Lyons of Chittenden County

Joint Senate Resolution

Whereas, Vermont is a recognized national leader among states in the provision of quality health care to all citizens; and

Whereas, managing health care costs is an essential component of state efforts to ensure continued citizen access to a broad range of health care services; and

Whereas, prescription drug purchases are the fastest-growing component of state health care spending; and

Whereas, Vermont has one of the highest percentages of any states with populations who are served by Medicaid or state-funded drug-purchasing programs; and

Whereas, states have taken the lead in developing innovative solutions to combating this steep rise in prescription drug costs; and

Whereas, recent state and federal court decisions have reaffirmed the ability of states to adopt policies designed to manage prescription drug costs; and

Whereas, language of the recent trade agreements into which the United States has entered with Australia, including Annex 2-C on pharmaceuticals, uses a definition of a 'federal health care program,' that is ambiguous and that creates uncertainty in the administration of state health care administration; and

Whereas, United States Trade Representative Robert Portman has assured states in writing that state programs are "not covered" by recent trade agreements signed by the United States; and

Whereas, this written assurance itself has no legal power in the case of a complaint filed by a U.S. trading partner regarding state administration of health care programs; and

Whereas, all trade agreements into which the United States has entered include the potential for an exchange of Interpretive Notes through which a party to the agreement can clarify the scope of a measure included in a trade treaty or Annex to that treaty; and

Whereas, such Interpretive Notes have the force of international law; *now therefore be it*

Resolved by the Senate and House of Representatives:

That the General Assembly urges the United States Trade Representative (USTR), following appropriate consultation with states, to pursue the exchange of an Interpretive Note with the Government of Australia, clarifying that state administration of Medicaid programs and pharmaceutical assistance programs under the Medicare Modernization Act is *not* included in the definition of a “federal health care program” under Annex 2-C of the United States-Australia Free Trade Agreement; *and it be further*

Resolved: that the General Assembly urges the USTR to discuss with the general assembly and Vermont state health care officials what health care programs *are* covered by the Annex 2-C definition of “federal health care program” as found in Annex 2-C of the Australia Free Trade Agreement; *and be it further*

Resolved: that the General Assembly urges the USTR to carve out and protect state administration of health care programs, including the purchase of prescription drugs, in all current and future negotiations of trade agreements; *and be it further*

Resolved, that a copy of this resolution be sent to Charles Grassley, Chair of the Senate Finance Committee; Senator Orrin Hatch, Chair of the Senate Subcommittee on International Trade; U.S. Representative Bill Thomas, Chair of the House Ways and Means Committee; Representative Clay Shaw, Chair of the House Subcommittee on Trade; Senator Judd Gregg, Chair of the Senate Committee on Health, Education, Labor, and Pensions; Senator Bill Frist, Chair of the Senate Subcommittee on Public Health; the Congressional Delegation of the State of Vermont; United States Trade Representative Rob Portman; Assistant United States Trade Representative and Chief Negotiator on Pharmaceuticals Barbara Weisel; and Vermont Attorney General William Sorrell.

APPENDIX J

**Citizen Trade Policy Commission's June 19, 2006 letter to the U.S. Department of
Commerce regarding appointments to advisory committees to the Office of the United
States Trade Representative**

Maine Citizen Trade Policy Commission



Senator Margaret Rotundo, Co-Chair

Representative John Patrick, Co-Chair

STATE OF MAINE

June 19, 2006

Ingrid V. Mithem, Director
Industry Trade Advisory Center
U.S. Department of Commerce
14th and Constitution Avenue, NW.
Room 4043
Washington, DC 20230

Dear Ms. Mitchem:

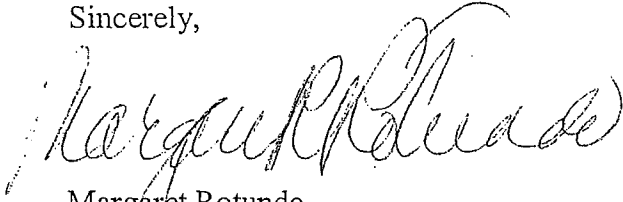
The Secretary of Commerce and the United States Trade Representative have sought nominations for the appointment of a public health or health care community representative to the Industry Trade Advisory Committee on Chemicals, Pharmaceuticals, Health/Science Products and Services ("ITAC 3") and the Industry Trade Advisory Committee on Intellectual Property Rights ("ITAC 15"). Previously the National Legislative Association on Prescription Drugs Prices ("NLARx") nominated Sharon Treat to be a representative for ITAC 15. We join NLARx in strongly supporting the nomination of Sharon Treat for either ITAC 3 or ITAC 15.

The Citizen Trade Policy Commission was established by the Maine Legislature to assess and monitor the legal, policy and economic impacts of international trade agreements at the state and local levels. As part of our work, healthcare is an important focus area and Ms. Treat has proved to be an invaluable resource in our efforts to analyze the impact of trade agreement on Maine's unique healthcare system. Ms. Treat, an attorney and former college administrator and state legislator, is nationally recognized as a leader on public health and pharmaceutical policy issues, and also has expertise specific to trade policy and pharmaceutical access and affordability.

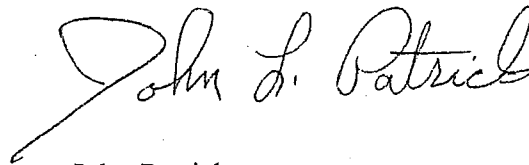
CTPC believes that Ms. Treat can provide the USTR with important input from the public health and health care community that will greatly assist the USTR in developing sound U.S. trade policy. As a result of organizing national conferences on pharmaceutical policy for state policymakers, Ms. Treat is familiar with the status of healthcare and healthcare policies in many states. Additionally, she will bring outstanding academic and legal expertise to benefit the committee. We urge the Department of Commerce and the USTR to appoint Ms. Sharon Treat to serve on ITAC 3 and/or ITAC 15.

Thank you for considering our recommendations

Sincerely,



Margaret Rotundo
Senate Co-Chair



John Patrick
House Co-Chair

cc: Maine's Congressional Delegation
 Governor John E. Baldacci
 Steven Rowe, Attorney General
 Members, Citizen Trade Policy Commission
 Alan Stearns, Senior Policy Advisor, Office of the Governor

APPENDIX K

**Office of Policy and Legal Analysis's document identifying border/trade issues considered
by legislative committees during recent legislative sessions**

Recent Border/Trade Issues Considered by Legislative Committees

An informal poll of OPLA staff identified the following border/trade issues considered by legislative committees in recent legislative sessions:

Agriculture, Conservation and Forestry

- H-2 bonded labor coming into Maine to work in the logging industry.
- Importation of Canadian potatoes, competition keeps prices depressed. Prohibition on bulk shipments of Maine potatoes into Canada
- Timber harvested on public lands going to Canadian mills to be processed.

Education Committee

- Considered a bill last session on teacher certification issues at the University of Maine Fort Kent. The Canadian students enrolled in UMFK teacher preparation program wanted the federal No Child Left Behind Act requirements waived for them. Apparently, under "reciprocity agreements" with UMFK (and all other colleges), Canadian students must meet U.S. and the state certification requirements.

Judiciary Committee

- Considered a bill to create a private cause of action for illegal gambling that siphons off harness racing money
- Errors Bill issue a few years ago in which the Department of Professional and Financial Regulation wanted to adjust the dentist statutes a bit to allow acceptance of certain credentials. It was not included in the Errors Bill, but the Committee discussed NAFTA and related international trade issues.

Transportation

- Considered several bills to increase and standardize truck weight limits in Maine
- Both Canada and Mexico allow heavier trucks, and Canada allows longer trucks, on their roads.
- Maine's natural resource based economy relies heavily on truck transportation to move approximately 90% of its exports. Businesses are placed at an economic and competitive disadvantage because it takes them more time and money to transport products than their domestic and international competitors.
- Article 913 of NAFTA establishes a land transportation subcommittee charged with developing a program to standardize truck weights, dimensions, and operating procedures but has been unsuccessful in standardizing truck weights.
- Committee authorized two pilot projects to allow certain commercial vehicle configurations at Canadian weight limits access from the Canadian border at Calais and St. Stephens to Baileyville

Utilities Committee

- Electric connection to New Brunswick (Bangor Hydro tie-line) so that power can be wheeled to and from Canada
- Electric power trading across the border (MPS is connected to New Brunswick but not directly to the rest of Maine)
- LNG facilities located across the border in New Brunswick; how this may affect natural gas supply in Maine

APPENDIX L

**Citizen Trade Policy Commission's letter corresponding with federal and state officials
working to coordinate activities regarding trade related issues**

MICHAEL H. MICHAUD
2ND DISTRICT, MAINE

WASHINGTON OFFICE
437 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
PHONE: (202) 225-6306
FAX: (202) 225-2943
www.house.gov/michaud

ASSISTANT WHIP

Congress of the United States
House of Representatives
Washington, DC 20515

COMMITTEES:
TRANSPORTATION AND INFRASTRUCTURE
HIGHWAYS, TRANSIT & PIPELINES SUBCOMMITTEE
RAILROADS SUBCOMMITTEE
ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS &
EMERGENCY MANAGEMENT SUBCOMMITTEE
VETERANS' AFFAIRS
SUBCOMMITTEE ON BENEFITS
RANKING MEMBER
SMALL BUSINESS
SUBCOMMITTEE ON RURAL ENTERPRISE,
AGRICULTURE, AND TECHNOLOGY
SUBCOMMITTEE ON TAX, FINANCE, AND EXPORTS

July 28, 2005

Senator Margaret Rotundo
Co-Chair
Maine Citizen Trade Policy Commission
13 State House Station
Augusta, ME 04333-0013

Representative John Patrick
Co-Chair
Maine Citizen Trade Policy Commission
13 State House Station
Augusta, ME 04333-0013

Peggy
Dear Senator Rotundo and Representative Patrick:

John
Last night, the House of Representatives passed H.R. 3045, the Dominican Republic-Central America-United States Free Trade Agreement Implementation Act, by a vote of 217-215.

While just shy of a victory, I cannot thank you and the Maine Citizen Trade Policy Commission enough for all your tremendous support on behalf of Maine workers these past few months. You helped to make a difference and should be proud of your efforts.

I am so pleased that the Maine congressional delegation stood together against this badly flawed trade deal, and we will continue to work together on behalf of Maine's working families. Your public hearings and statements on CAFTA were critical in forming a united front.

I first ran for Congress because I saw what unfair trade deals were doing to our workers, our communities and our economy. I have used every opportunity during my 3 years in Congress to hit that message home and people are hearing it. The Administration may have won the vote last night – but it was at great political cost with intense arm-twisting and back room deal making.

People are beginning to get the message about fair trade. For example – NAFTA passed in 1994 with a comfortable margin of 34 votes. CAFTA passed last night with just a 2 vote margin – and that was after the vote was held open for over 90 minutes. Democrats and Republicans alike voted no. Rural and urban Members alike voted no. Labor and business supporters alike voted no. So in short - we are making a real difference.

Change doesn't happen overnight, but real change is in fact happening in the Congress - and I will continue to fight to reform America's trade deals, to stand up for American workers, and to protect American jobs. I thank you for standing together with me in this fight.

Sincerely,

Hope all is going well.
MH
Michael H. Michaud
Member of Congress

LEWISTON:
179 LISBON STREET, GROUND FLOOR
LEWISTON, ME 04240
PHONE: (207) 782-3704
FAX: (207) 782-5330

BANGOR:
202 HARLOW STREET, ROOM 235
BANGOR, ME 04401
PHONE: (207) 942-6935
FAX: (207) 942-5907

PRESQUE ISLE:
445 MAIN STREET
PRESQUE ISLE, ME 04769
PHONE: (207) 764-1036
FAX: (207) 764-1060

App. L

Maine Citizen Trade Policy Commission



Senator Margaret Rotundo, Co-Chair

Representative John Patrick, Co-Chair

MEMORANDUM

October 10, 2005

The Honorable Olympia J. Snowe
United States Senate
154 Russell Senate Office Building
Washington, D.C. 20510-1903

The Honorable Susan M. Collins
United States Senate
154 Russell Senate Office Building
Washington, D.C. 20510-1903

The Honorable Thomas H. Allen
United States House of Representatives
1717 Longworth House Office Building
Washington, D.C. 20515

The Honorable Michael H. Michaud
United States House of Representatives
437 Cannon House Office Building
Washington, D.C. 20515

Dear Senator Snowe, Senator Collins, Congressman Allen and Congressman Michaud:

We cordially invite you to attend a meeting of the Maine Citizen Trade Policy Commission on October 28, 2005, starting at 8:00 in Room 126 of the Statehouse in Augusta, Maine. The Commission will receive an informational briefing from Dr. Christina Sevilla, Director of Intergovernmental Affairs and Public Liaison for the Office of the United States Trade Representative.

We are holding this meeting with the USTR to begin to establish an open dialogue between our organizations and forge a mutually beneficial relationship. Your presence at this meeting will help establish this critical communications link as we all continue to work to address international trade policies and agreements effecting Maine.

We hope that you will be able to attend the hearing and look forward to continue working with you on trade policy issues.

Please notify our staff, Curtis Bentley and Nicole Dube at (207-287-1670) regarding your ability to attend the meeting or if you have any questions about the meeting.

Sincerely,

Sen. Margaret Rotundo (ND)

Senator Margaret Rotundo
Co-Chair

Rep. John Patrick (ND)

Representative John Patrick
Co-Chair

App. L

Maine Citizen Trade Policy Commission



Senator Margaret Rotundo, Co-Chair

Representative John Patrick, Co-Chair

MEMORANDUM

November 3, 2005

The Honorable Olympia J. Snowe
United States Senate
154 Russell Senate Office Building
Washington, D.C. 20510-1903

The Honorable Susan M. Collins
United States Senate
154 Russell Senate Office Building
Washington, D.C. 20510-1903

The Honorable Thomas H. Allen
United States House of Representatives
1717 Longworth House Office Building
Washington, D.C. 20515

The Honorable Michael H. Michaud
United States House of Representatives
437 Cannon House Office Building
Washington, D.C. 20515

Dear Senator Snowe, Senator Collins, Congressman Allen and Congressman Michaud:

We are writing to cordially invite you to attend a public hearing being held by the Maine Citizen Trade Policy Commission on November 21, 2005, at the Houlton Southside Middle School from 5-8 PM in Houlton. We are holding this public hearing to elicit input on how international trade agreements have impacted Maine businesses that conduct cross border operations with Canada. We hope that you will be able to attend the hearing and look forward to working with you on trade policy issues.

Please notify our staff, Curtis Bentley and Nicole Dube at (207-287-1670) regarding your ability to attend the public hearing or if you have any questions about the hearing or the Commission.

Sincerely,

Sen. Margaret Rotundo

Senator Margaret Rotundo
Co-Chair

Rep. John Patrick

Representative John Patrick
Co-Chair

cc: Governor John E. Baldacci
Members, Citizen Trade Policy Commission
Alan Stearns, Senior Policy Advisor, Office of the Governor

